

ANNUAL FINANCIAL REPORT
MCNAIRY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018



DIVISION OF LOCAL GOVERNMENT AUDIT



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FOR THE YEAR ENDED JUNE 30, 2018

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

McNAIRY COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
McNairy County, Tennessee
For the Year Ended June 30, 2018

Scope

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2018.

Results

Our report on McNairy County's financial statements is unmodified.

Our audit resulted in 11 findings and recommendations, which we have reviewed with McNairy County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in budget operations.
-

OFFICES OF COUNTY MAYOR AND SHERIFF

- ◆ Accrued vacation leave balances exceeded the maximum balance provided by the county's personnel policy.
-

OFFICE OF HIGHWAY COMMISSIONER

- ◆ The office had deficiencies in budget operations.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The director of schools had not formally documented internal controls.
 - ◆ The office had deficiencies in budget operations.
 - ◆ The School Federal Projects Fund had a cash overdraft of \$162,117 at June 30, 2018.
 - ◆ The purchasing software used by the central office did not have adequate application controls.
 - ◆ Documents could be generated from the software test environment without being marked as invalid.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
- ◆ The office did not deposit some funds within three days of collection.
- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

McNairy County Officials

June 30, 2018

Officials

Ronnie Brooks, County Mayor
Harvey Neal Smith, Highway Commissioner
Greg Martin, Director of Schools
Stanley Mitchell, Trustee
Brandon Moore, Assessor of Property
Ronnie Price, County Clerk
Byron Maxedon, Circuit and General Sessions Courts Clerk
Kim Boals, Clerk and Master
Brian Dickey, Register of Deeds
Guy Buck, Sheriff

Board of County Commissioners

Ronnie Brooks, County Mayor, Chairman
Wilburn Gene Ashe
Steve Browder
Neal Burks
Brenda Cauley
Tammy Dillon
Aubrey Harris
Steve Hunter
Keith Jernigan
Jeff Lipford
Kevin Lipford

David McCullar
Troy Moore
Jim Rickman
Anthony Smith
John Talbott
James Weatherford
Stan Wheeler
Sandy Whitaker
Matthew Wood
Carol Ann Woods

Board of Education

Jarrell Stanfield, Chairman
Lynn Baker
Jay Hendrix
Jean Jones
Mark Massey
Brian Rowsey
Ricky Whitaker

Audit Committee

George Donaldson, Chairman
Wilburn Gene Ashe
Billy Brown
Troy Moore
Jim Rickman
Tommy Ross

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Independent Auditor's Report

McNairy County Mayor and
Board of County Commissioners
McNairy County, Tennessee

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McNairy County Airport Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McNairy County Airport Authority, is based solely on the report of the other auditors. We were unable to determine McNairy County Airport Authority's percentage of the net position of the aggregate discretely presented component units because the McNairy County Emergency Communications District, a component unit requiring discrete presentation, was not included in the county's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., McNairy County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.9. to the financial statements, which describes restatements increasing the beginning net position of the Governmental Activities by \$521 and reducing the beginning net position of the discretely presented McNairy County School Department by \$18,314,535 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to

supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension asset and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedules of county and school changes in the total OPEB liability and related ratios - other postemployment benefits plans on pages 101-110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McNairy County's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), miscellaneous schedules and other information such as the introductory section and management's corrective action plans are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and management's corrective action plans have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, on our consideration of McNairy County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McNairy County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNairy County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 22, 2019

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

McNairy County, Tennessee
Statement of Net Position
June 30, 2018

	<u>Primary Government Governmental Activities</u>	<u>McNairy County School Department</u>	<u>McNairy County Airport Authority</u>
<u>ASSETS</u>			
Cash	\$ 780	\$ 0	\$ 95,580
Equity in Pooled Cash and Investments	22,601,384	6,057,744	0
Inventories	0	0	22,193
Accounts Receivable	2,699,568	875	2,827
Allowance for Uncollectibles	(747,556)	0	0
Due from Other Governments	841,217	1,298,409	0
Property Taxes Receivable	5,386,065	4,251,177	0
Allowance for Uncollectible Property Taxes	(322,645)	(255,897)	0
Prepaid Items	2,051	0	2,324
Net Pension Asset - Agent Plan	388,413	514,874	0
Net Pension Asset - Teacher Retirement Plan	0	74,880	0
Net Pension Teacher Legacy Pension Plan	0	144,827	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,440,327	1,291,479	91,331
Construction in Progress	0	1,700,516	1,550
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,243,845	9,642,531	119,377
Infrastructure	4,146,981	0	4,070,718
Other Capital Assets	1,334,844	2,198,243	30,888
Total Assets	<u>\$ 41,015,274</u>	<u>\$ 26,919,658</u>	<u>\$ 4,436,788</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amount on Refunding	\$ 29,181	\$ 0	\$ 0
Pension Changes in Experience	6,262	98,236	0
Pension Changes in Investment Earnings	0	21,984	0
Pension Other Deferrals	211,253	1,629,341	0
Pension Contributions after Measurement Date	174,338	1,740,356	0
OPEB Contributions after Measurement Date	1,403	420,570	0
Total Deferred Outflows of Resources	<u>\$ 422,437</u>	<u>\$ 3,910,487</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 269,343	\$ 0	\$ 1,836
Payroll Deductions Payable	30,852	12,477	0
Contracts Payable	0	162,117	0
Accrued Interest Payable	80,599	0	0
Other Current Liabilities	0	0	26,358
Noncurrent Liabilities:			
Due Within One Year	1,546,606	0	0
Due in More Than One Year	25,466,824	19,694,256	0
Total Liabilities	<u>\$ 27,394,224</u>	<u>\$ 19,868,850</u>	<u>\$ 28,194</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 4,841,311	\$ 3,818,124	\$ 0
Pension Changes in Experience	153,268	3,198,813	0
Pension Changes in Investment Earnings	3,061	8,087	0
Pension Other Deferrals	0	60,052	0
OPEB Changes in Assumptions	1,904	1,713,287	0
Total Deferred Inflows of Resources	<u>\$ 4,999,544</u>	<u>\$ 8,798,363</u>	<u>\$ 0</u>

(Continued)

Exhibit A

McNairy County, Tennessee
Statement of Net Position (Cont.)

	Primary Governmental Activities	Component Units	
		McNairy County School Department	McNairy County Airport Authority
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 6,794,567	\$ 14,832,769	\$ 4,313,864
Restricted for:			
General Government	81,537	0	0
Finance	21,537	0	0
Administration of Justice	69,924	0	0
Public Safety	220,845	0	0
Public Health & Welfare	1,915,999	0	0
Social, Cultural, and Recreational Services	6,338	0	0
Highway/Public Works	183,007	0	0
Education	0	170,951	0
Operation of Non-instructional Services	0	1,103,511	0
Capital Outlay	16,610,529	2,544,640	9,279
Debt Service	3,563,496	0	0
Pensions	388,413	734,581	0
Unrestricted	(20,812,249)	(17,223,520)	85,451
Total Net Position	<u>\$ 9,043,943</u>	<u>\$ 2,162,932</u>	<u>\$ 4,408,594</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

McNairy County, Tennessee
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,841,789	\$ 260,514	\$ 31,217	\$ 0	\$ (1,550,058)	\$ 0	\$ 0	
Finance	761,425	493,824	0	0	(267,601)	0	0	
Administration of Justice	767,137	420,243	4,500	0	(342,394)	0	0	
Public Safety	2,895,715	359,071	21,799	27,489	(2,487,356)	0	0	
Public Health and Welfare	2,213,371	1,303,505	655,072	350,789	95,995	0	0	
Social, Cultural, and Rec Services	134,430	7,674	0	187,203	60,447	0	0	
Agriculture and Natural Resources	187,490	0	13,625	0	(173,865)	0	0	
Highways/Public Works	3,206,243	50,874	2,203,021	(4,400)	(956,748)	0	0	
Interest on Long-term Debt	467,390	0	352,840	0	(114,550)	0	0	
Total Primary Government	\$ 12,474,990	\$ 2,895,705	\$ 3,282,074	\$ 561,081	\$ (5,736,130)	\$ 0	\$ 0	
Component Units:								
McNairy County School Department	\$ 37,857,293	\$ 316,084	\$ 4,796,139	\$ 124,906	\$ 0	\$ (32,620,164)	\$ 0	
McNairy County Airport Authority	412,785	110,708	67,932	89,188	0	0	(144,957)	
Total Component Units	\$ 38,270,078	\$ 426,792	\$ 4,864,071	\$ 214,094	\$ 0	\$ (32,620,164)	\$ (144,957)	

(Continued)

Exhibit B

McNairy County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Government	McNairy County School Department	McNairy County Airport Authority
				Total Governmental Activities			
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 4,162,416	\$ 4,010,772	\$ 0	
Property Taxes Levied for Debt Service				826,997	0	0	
Local Option Sales Taxes				254,119	2,037,155	0	
Litigation Tax				99,900	0	0	
Business Tax				168,000	0	0	
Wholesale Beer Tax				20,117	0	0	
Other Local Taxes				37,290	0	0	
Grants and Contributions Not Restricted to Specific Programs				1,248,086	26,602,980	0	
Unrestricted Investment Income				104,418	9,653	30	
Miscellaneous				20,552	121,438	4,200	
Total General Revenues				<u>\$ 6,941,895</u>	<u>\$ 32,781,998</u>	<u>\$ 4,230</u>	
Change in Net Position				\$ 1,205,765	\$ 161,834	\$ (140,727)	
Net Position, July 1, 2017				7,837,657	20,315,633	4,549,321	
Restatements - See Note I.D.9.				521	(18,314,535)	0	
Net Position, June 30, 2018				<u>\$ 9,043,943</u>	<u>\$ 2,162,932</u>	<u>\$ 4,408,594</u>	

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

McNairy County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Equity in Pooled Cash and Investments	879,196	842,753	504,527	3,547,482	15,359,311
Accounts Receivable	9,513	2,650,106	2,120	6,418	0
Allowance for Uncollectibles	0	(747,556)	0	0	0
Due from Other Governments	579,528	17,844	243,845	0	0
Due from Other Funds	4,052	0	0	0	0
Property Taxes Receivable	4,145,282	0	391,987	848,796	0
Allowance for Uncollectible Property Taxes	(247,359)	0	(23,592)	(51,694)	0
Prepaid Items	2,051	0	0	0	0
Advances to Other Funds	0	0	0	500,000	0
Total Assets	<u>\$ 5,372,263</u>	<u>\$ 2,763,147</u>	<u>\$ 1,118,887</u>	<u>\$ 4,851,002</u>	<u>\$ 15,359,311</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 178,331	\$ 88,361	\$ 0	\$ 0	\$ 0
Payroll Deductions Payable	29,080	1,690	0	0	0
Due to Other Funds	0	3,272	0	0	0
Advances Payable to Other Funds	500,000	0	0	0	0
Total Liabilities	<u>\$ 707,411</u>	<u>\$ 93,323</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 3,728,415	\$ 0	\$ 352,064	\$ 760,832	\$ 0
Deferred Delinquent Property Taxes	173,862	0	16,750	37,202	0
Other Deferred/Unavailable Revenue	43,615	1,915,999	119,406	0	0
Total Deferred Inflows of Resources	<u>\$ 3,945,892</u>	<u>\$ 1,915,999</u>	<u>\$ 488,220</u>	<u>\$ 798,034</u>	<u>\$ 0</u>

(Continued)

Exhibit C-1

McNairy County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
<u>FUND BALANCES</u>					
Nonspendable:					
Advances to Other Funds	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 0
Prepaid Items	2,051	0	0	0	0
Restricted:					
Restricted for General Government	56,621	0	0	0	0
Restricted for Finance	21,537	0	0	0	0
Restricted for Administration of Justice	69,924	0	0	0	0
Restricted for Public Safety	106,886	0	0	0	0
Restricted for Social, Cultural, and Recreational Services	0	0	0	0	0
Restricted for Highways/Public Works	0	0	209,005	0	0
Restricted for Capital Outlay	0	0	0	0	15,359,311
Restricted for Debt Service	0	0	0	3,072,153	0
Committed:					
Committed for General Government	0	0	0	0	0
Committed for Public Health and Welfare	0	753,825	0	0	0
Committed for Agriculture and Natural Resources	0	0	0	0	0
Committed for Highways/Public Works	0	0	421,662	0	0
Committed for Debt Service	0	0	0	480,815	0
Committed for Capital Projects	30,935	0	0	0	0
Assigned:					
Assigned for Public Health and Welfare	223	0	0	0	0
Unassigned	430,783	0	0	0	0
Total Fund Balances	\$ 718,960	\$ 753,825	\$ 630,667	\$ 4,052,968	\$ 15,359,311
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,372,263	\$ 2,763,147	\$ 1,118,887	\$ 4,851,002	\$ 15,359,311

(Continued)

Exhibit C-1

McNairy County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	<u>Nonmajor Funds</u>		<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 780	\$		780
Equity in Pooled Cash and Investments	1,468,115			22,601,384
Accounts Receivable	31,411			2,699,568
Allowance for Uncollectibles	0			(747,556)
Due from Other Governments	0			841,217
Due from Other Funds	0			4,052
Property Taxes Receivable	0			5,386,065
Allowance for Uncollectible Property Taxes	0			(322,645)
Prepaid Items	0			2,051
Advances to Other Funds	0			500,000
	<hr/>			<hr/>
Total Assets	\$ 1,500,306	\$		<u>30,964,916</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,651	\$		269,343
Payroll Deductions Payable	82			30,852
Due to Other Funds	780			4,052
Advances Payable to Other Funds	0			500,000
Total Liabilities	<hr/>	\$		<u>804,247</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 0	\$		4,841,311
Deferred Delinquent Property Taxes	0			227,814
Other Deferred/Unavailable Revenue	0			2,079,020
Total Deferred Inflows of Resources	<hr/>	\$		<u>7,148,145</u>

(Continued)

Exhibit C-1

McNairy County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

<u>FUND BALANCES</u>	<u>Nonmajor Funds</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Advances to Other Funds	\$	0	\$ 500,000
Prepaid Items		0	2,051
Restricted:			
Restricted for General Government		23,335	79,956
Restricted for Finance		0	21,537
Restricted for Administration of Justice		0	69,924
Restricted for Public Safety		119,048	225,934
Restricted for Social, Cultural, and Recreational Services		6,338	6,338
Restricted for Highways/Public Works		0	209,005
Restricted for Capital Outlay		1,251,218	16,610,529
Restricted for Debt Service		0	3,072,153
Committed:			
Committed for General Government		88,014	88,014
Committed for Public Health and Welfare		0	753,825
Committed for Agriculture and Natural Resources		8,840	8,840
Committed for Highways/Public Works		0	421,662
Committed for Debt Service		0	480,815
Committed for Capital Projects		0	30,935
Assigned:			
Assigned for Public Health and Welfare		0	223
Unassigned		0	430,783
Total Fund Balances	\$	1,496,793	\$ 23,012,524
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	1,500,306	\$ 30,964,916

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

McNairy County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	23,012,524
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,440,327	
Add: buildings and improvements net of accumulated depreciation		3,243,845	
Add: infrastructure net of accumulated depreciation		4,146,981	
Add: other capital assets net of accumulated depreciation		<u>1,334,844</u>	10,165,997
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(2,785,117)	
Less: capital leases payable		(244,461)	
Less: bonds payable		(23,115,143)	
Less: unamortized premium on debt		(156,338)	
Add: deferred amount on refunding		29,181	
Less: compensated absences payable		(141,552)	
Less: landfill closure/postclosure care costs		(495,280)	
Less: net OPEB liability		(75,539)	
Less: accrued interest payable		<u>(80,599)</u>	(27,064,848)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.			
Add: deferred outflows of resources related to pensions	\$	391,853	
Less: deferred inflows of resources related to pensions		(156,329)	
Add: deferred outflows of resources related to OPEB		1,403	
Less: deferred inflows of resources related to OPEB		<u>(1,904)</u>	235,023
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			388,413
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>2,306,834</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>9,043,943</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-3

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
<u>Revenues</u>					
Local Taxes	\$ 4,317,426	\$ 0	\$ 371,576	\$ 821,944	\$ 0
Licenses and Permits	16,526	0	0	0	0
Fines, Forfeitures, and Penalties	108,795	0	0	0	0
Charges for Current Services	39,912	769,666	0	0	0
Other Local Revenues	35,486	65,309	54,744	78,703	50,914
Fees Received From County Officials	863,217	0	0	0	0
State of Tennessee	1,030,621	319,331	2,260,145	0	0
Federal Government	569,663	0	0	0	0
Other Governments and Citizens Groups	0	4,184	43,403	1,200,631	0
Total Revenues	\$ 6,981,646	\$ 1,158,490	\$ 2,729,868	\$ 2,101,278	\$ 50,914
<u>Expenditures</u>					
Current:					
General Government	\$ 1,067,945	\$ 0	\$ 0	\$ 0	\$ 0
Finance	558,749	0	0	0	0
Administration of Justice	592,398	0	0	0	0
Public Safety	2,298,082	0	0	0	0
Public Health and Welfare	714,010	1,182,050	0	0	0
Social, Cultural, and Recreational Services	107,009	0	0	0	0
Agriculture and Natural Resources	139,288	0	0	0	0
Other Operations	2,118,499	44,446	0	0	0
Highways	0	39,783	2,942,203	0	0
Debt Service:					
Principal on Debt	127,905	0	0	1,470,422	0
Interest on Debt	4,902	0	0	407,185	0
Other Debt Service	0	0	0	18,058	286,146

(Continued)

Exhibit C-3

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures	\$ 7,728,787	\$ 1,266,279	\$ 2,942,203	\$ 1,895,665	\$ 286,146
Excess (Deficiency) of Revenues Over Expenditures	\$ (747,141)	\$ (107,789)	\$ (212,335)	\$ 205,613	\$ (235,232)
<u>Other Financing Sources (Uses)</u>					
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,475,000
Notes Issued	0	0	0	0	0
Capital Leases Issued	372,366	0	0	0	0
Premiums on Debt Sold	0	0	0	0	119,543
Insurance Recovery	53,591	0	0	0	0
Total Other Financing Sources (Uses)	\$ 425,957	\$ 0	\$ 0	\$ 0	\$ 15,594,543
Net Change in Fund Balances	\$ (321,184)	\$ (107,789)	\$ (212,335)	\$ 205,613	\$ 15,359,311
Fund Balance, July 1, 2017	1,040,144	861,614	843,002	3,847,355	0
Fund Balance, June 30, 2018	\$ 718,960	\$ 753,825	\$ 630,667	\$ 4,052,968	\$ 15,359,311

(Continued)

Exhibit C-3

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Nonmajor Funds	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,176	\$	5,513,122
Licenses and Permits	0		16,526
Fines, Forfeitures, and Penalties	23,922		132,717
Charges for Current Services	1,332		810,910
Other Local Revenues	167,971		453,127
Fees Received From County Officials	0		863,217
State of Tennessee	0		3,610,097
Federal Government	0		569,663
Other Governments and Citizens Groups	0		1,248,218
Total Revenues	<u>\$ 195,401</u>	<u>\$</u>	<u>13,217,597</u>
<u>Expenditures</u>			
Current:			
General Government	\$ 100,121	\$	1,168,066
Finance	0		558,749
Administration of Justice	0		592,398
Public Safety	39,624		2,337,706
Public Health and Welfare	0		1,896,060
Social, Cultural, and Recreational Services	2,759		109,768
Agriculture and Natural Resources	4,037		143,325
Other Operations	1,348		2,164,293
Highways	0		2,981,986
Debt Service:			
Principal on Debt	3,576		1,601,903
Interest on Debt	142		412,229
Other Debt Service	7,500		311,704

(Continued)

Exhibit C-3

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Nonmajor Funds	Other Govern- mental Funds	Total Governmental Funds
<hr/>			
<u>Expenditures (Cont.)</u>			
Capital Projects	\$ 51,587	\$	51,587
Total Expenditures	<u>\$ 210,694</u>	<u>\$</u>	<u>14,329,774</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,293)</u>	<u>\$</u>	<u>(1,112,177)</u>
<u>Other Financing Sources (Uses)</u>			
Bonds Issued	\$ 0	\$	15,475,000
Notes Issued	1,250,000		1,250,000
Capital Leases Issued	0		372,366
Premiums on Debt Sold	0		119,543
Insurance Recovery	0		53,591
Total Other Financing Sources (Uses)	<u>\$ 1,250,000</u>	<u>\$</u>	<u>17,270,500</u>
Net Change in Fund Balances	\$ 1,234,707	\$	16,158,323
Fund Balance, July 1, 2017	<u>262,086</u>		<u>6,854,201</u>
Fund Balance, June 30, 2018	<u>\$ 1,496,793</u>	<u>\$</u>	<u>23,012,524</u>

The notes to the financial statements are an integral part of this statement.

McNairy County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	16,158,323
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	958,318	
Less: current-year depreciation expense		<u>(822,071)</u>	136,247
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: proceeds received from disposal of capital assets			(8,582)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$	2,306,834	
Less: deferred delinquent property taxes and other deferred June 30, 2017		<u>(1,842,769)</u>	464,065
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.			
Less: capital lease proceeds	\$	(372,366)	
Less: note proceeds		(1,250,000)	
Less: bond proceeds		(15,475,000)	
Less: change in premium on debt issuances		(111,868)	
Less: change in deferred amount on refunding debt		(5,848)	
Add: principal payments on bonds		1,279,133	
Add: principal payments on notes		191,289	
Add: principal payments on capital leases		<u>131,481</u>	(15,613,179)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(55,161)	
Change in compensated absences payable		(20,086)	
Change in net OPEB liability (net of restatement)		(7,060)	
Change in deferred outflows related to OPEB		1,403	
Change in deferred inflows related to OPEB		(1,904)	
Change in landfill closure/postclosure care costs		15,744	
Change in net pension asset		103,029	
Change in deferred outflows related to pensions		(16,505)	
Change in deferred inflows related to pensions		<u>49,431</u>	<u>68,891</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,205,765</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-5

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,317,426	\$ 0	\$ 0	\$ 4,317,426	\$ 3,999,630	\$ 3,999,630	\$ 317,796
Licenses and Permits	16,526	0	0	16,526	19,500	19,500	(2,974)
Fines, Forfeitures, and Penalties	108,795	0	0	108,795	111,650	111,650	(2,855)
Charges for Current Services	39,912	0	0	39,912	41,800	41,800	(1,888)
Other Local Revenues	35,486	0	0	35,486	68,800	68,800	(33,314)
Fees Received From County Officials	863,217	0	0	863,217	876,650	876,650	(13,433)
State of Tennessee	1,030,621	0	0	1,030,621	605,000	605,000	425,621
Federal Government	569,663	0	0	569,663	247,000	247,000	322,663
Total Revenues	\$ 6,981,646	\$ 0	\$ 0	\$ 6,981,646	\$ 5,970,030	\$ 5,970,030	\$ 1,011,616
Expenditures							
General Government							
County Commission	\$ 35,089	\$ 0	\$ 0	\$ 35,089	\$ 45,877	\$ 45,877	\$ 10,788
Board of Equalization	1,750	0	0	1,750	2,200	2,200	450
Beer Board	165	0	0	165	150	150	(15)
Budget and Finance Committee	1,785	0	0	1,785	1,000	1,000	(785)
Other Boards and Committees	1,065	0	0	1,065	1,000	1,000	(65)
County Mayor/Executive	162,576	0	0	162,576	158,891	158,891	(3,685)
County Attorney	6,000	0	0	6,000	6,000	6,000	0
Election Commission	120,791	0	0	120,791	131,275	131,275	10,484
Register of Deeds	137,493	0	0	137,493	136,132	137,815	322
County Buildings	600,718	0	0	600,718	341,392	341,392	(259,326)
Preservation of Records	513	0	0	513	550	550	37
Finance							
Accounting and Budgeting	0	0	0	0	72,142	72,142	72,142
Property Assessor's Office	154,884	0	0	154,884	157,018	157,018	2,134
Reappraisal Program	23,981	0	0	23,981	29,915	29,915	5,934
County Trustee's Office	157,584	0	0	157,584	160,136	160,136	2,552
County Clerk's Office	222,300	0	0	222,300	221,064	221,064	(1,236)

(Continued)

Exhibit C-5

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 204,461	\$ (50)	\$ 0	\$ 204,411	\$ 197,963	\$ 197,963	\$ (6,448)
General Sessions Court	191,660	0	0	191,660	207,530	207,530	15,870
Chancery Court	143,528	0	0	143,528	141,596	141,596	(1,932)
Juvenile Court	52,749	0	0	52,749	49,045	49,045	(3,704)
<u>Public Safety</u>							
Sheriff's Department	1,624,205	0	0	1,624,205	1,492,047	1,618,258	(5,947)
Jail	384,795	0	0	384,795	382,008	382,008	(2,787)
Fire Prevention and Control	120,037	0	0	120,037	137,764	137,764	17,727
Rural Fire Protection	37,115	0	0	37,115	42,000	42,000	4,885
Civil Defense	74,870	0	0	74,870	80,600	80,600	5,730
Inspection and Regulation	5,685	0	0	5,685	5,785	5,785	100
Other Public Safety	51,375	0	0	51,375	68,500	68,500	17,125
<u>Public Health and Welfare</u>							
Local Health Center	694,638	0	223	694,861	199,900	199,900	(494,961)
Ambulance/Emergency Medical Services	12,500	0	0	12,500	10,000	10,000	(2,500)
Other Local Health Services	6,872	0	0	6,872	17,971	17,971	11,099
<u>Social, Cultural, and Recreational Services</u>							
Libraries	107,009	0	0	107,009	144,610	144,610	37,601
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	79,400	0	0	79,400	82,392	82,392	2,992
Soil Conservation	59,888	0	0	59,888	59,888	59,888	0
<u>Other Operations</u>							
Other Economic and Community Development	1,032,061	0	0	1,032,061	276,764	276,764	(755,297)
Airport	64,000	0	0	64,000	64,000	64,000	0
Veterans' Services	19,240	0	0	19,240	13,787	13,787	(5,453)
Other Charges	145,467	0	0	145,467	145,000	145,000	(467)
Contributions to Other Agencies	18,326	0	0	18,326	21,000	21,000	2,674
Employee Benefits	837,954	0	0	837,954	933,382	933,382	95,428
Miscellaneous	1,451	0	0	1,451	6,400	6,400	4,949

(Continued)

Exhibit C-5

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Principal on Debt</u>							
General Government	\$ 127,905	\$ 0	\$ 0	\$ 127,905	\$ 0	\$ 69,057	\$ (58,848)
<u>Interest on Debt</u>							
General Government	4,902	0	0	4,902	0	716	(4,186)
Total Expenditures	\$ 7,728,787	\$ (50)	\$ 223	\$ 7,728,960	\$ 6,244,674	\$ 6,442,341	\$ (1,286,619)
Excess (Deficiency) of Revenues Over Expenditures	\$ (747,141)	\$ 50	\$ (223)	\$ (747,314)	\$ (274,644)	\$ (472,311)	\$ (275,003)
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 372,366	\$ 0	\$ 0	\$ 372,366	\$ 0	\$ 195,984	\$ 176,382
Insurance Recovery	53,591	0	0	53,591	98,000	98,000	(44,409)
Transfers In	0	0	0	0	500,000	0	0
Transfers Out	0	0	0	0	(500,000)	0	0
Total Other Financing Sources	\$ 425,957	\$ 0	\$ 0	\$ 425,957	\$ 98,000	\$ 293,984	\$ 131,973
Net Change in Fund Balance	\$ (321,184)	\$ 50	\$ (223)	\$ (321,357)	\$ (176,644)	\$ (178,327)	\$ (143,030)
Fund Balance, July 1, 2017	1,040,144	(50)	0	1,040,094	1,186,886	1,186,886	(146,792)
Fund Balance, June 30, 2018	\$ 718,960	\$ 0	\$ (223)	\$ 718,737	\$ 1,010,242	\$ 1,008,559	\$ (289,822)

The notes to the financial statements are an integral part of this statement.

Exhibit C-6

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 1,500	\$ 1,500	\$ (1,500)
Charges for Current Services	769,666	0	769,666	748,800	748,800	20,866
Other Local Revenues	65,309	0	65,309	105,000	105,000	(39,691)
State of Tennessee	319,331	0	319,331	328,600	328,600	(9,269)
Other Governments and Citizens Groups	4,184	0	4,184	0	0	4,184
Total Revenues	\$ 1,158,490	\$ 0	\$ 1,158,490	\$ 1,183,900	\$ 1,183,900	\$ (25,410)
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 1,024,430	\$ 0	\$ 1,024,430	\$ 939,855	\$ 939,855	\$ (84,575)
Recycling Center	123,520	(250)	123,270	102,000	102,000	(21,270)
Landfill Operation and Maintenance	34,100	0	34,100	21,550	21,550	(12,550)
<u>Other Operations</u>						
Employee Benefits	44,446	0	44,446	50,360	50,360	5,914
<u>Highways</u>						
Litter and Trash Collection	39,783	(2,001)	37,782	51,600	51,600	13,818
Total Expenditures	\$ 1,266,279	\$ (2,251)	\$ 1,264,028	\$ 1,165,365	\$ 1,165,365	\$ (98,663)
Excess (Deficiency) of Revenues Over Expenditures	\$ (107,789)	\$ 2,251	\$ (105,538)	\$ 18,535	\$ 18,535	\$ (124,073)
Net Change in Fund Balance	\$ (107,789)	\$ 2,251	\$ (105,538)	\$ 18,535	\$ 18,535	\$ (124,073)
Fund Balance, July 1, 2017	861,614	(2,251)	859,363	923,343	923,343	(63,980)
Fund Balance, June 30, 2018	\$ 753,825	\$ 0	\$ 753,825	\$ 941,878	\$ 941,878	\$ (188,053)

The notes to the financial statements are an integral part of this statement.

Exhibit C-7

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 371,576	\$ 374,867	\$ 374,867	\$ (3,291)
Other Local Revenues	54,744	97,000	97,000	(42,256)
State of Tennessee	2,260,145	2,640,231	2,640,231	(380,086)
Other Governments and Citizens Groups	43,403	25,000	25,000	18,403
Total Revenues	<u>\$ 2,729,868</u>	<u>\$ 3,137,098</u>	<u>\$ 3,137,098</u>	<u>\$ (407,230)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 154,537	\$ 154,110	\$ 154,110	\$ (427)
Highway and Bridge Maintenance	1,103,037	870,792	870,792	(232,245)
Operation and Maintenance of Equipment	435,198	406,600	406,600	(28,598)
Other Charges	89,344	90,000	90,000	656
Employee Benefits	437,377	454,500	454,500	17,123
Capital Outlay	722,710	1,211,500	1,211,500	488,790
<u>Principal on Debt</u>				
Highways and Streets	0	25,000	25,000	25,000
<u>Interest on Debt</u>				
Highways and Streets	0	1,500	1,500	1,500
Total Expenditures	<u>\$ 2,942,203</u>	<u>\$ 3,214,002</u>	<u>\$ 3,214,002</u>	<u>\$ 271,799</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (212,335)</u>	<u>\$ (76,904)</u>	<u>\$ (76,904)</u>	<u>\$ (135,431)</u>
Net Change in Fund Balance	\$ (212,335)	\$ (76,904)	\$ (76,904)	\$ (135,431)
Fund Balance, July 1, 2017	843,002	843,002	843,002	0
Fund Balance, June 30, 2018	<u>\$ 630,667</u>	<u>\$ 766,098</u>	<u>\$ 766,098</u>	<u>\$ (135,431)</u>

The notes to the financial statements are an integral part of this statement.

Exhibit D

McNairy County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 760,439
Accounts Receivable	863
Due from Other Governments	327,660
Cash Shortage	<u>6,341</u>
Total Assets	<u>\$ 1,095,303</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 327,660
Due to Litigants, Heirs, and Others	<u>767,643</u>
Total Liabilities	<u>\$ 1,095,303</u>

The notes to the financial statements are an integral part of this statement.

McNAIRY COUNTY, TENNESSEE
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McNAIRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McNairy County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of McNairy County:

A. Reporting Entity

McNairy County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present McNairy County (the primary government) and its component units. The financial statements of the McNairy County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of the omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The McNairy County School Department operates the public school system in the county, and the voters of McNairy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the county commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The McNairy County Airport Authority operates the county's only airport facility, and the McNairy County Commission appoints its governing body and approves its operating budget. The McNairy County Airport Authority is funded primarily through rentals and fuel sales.

The McNairy County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of McNairy County, and the McNairy County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the county commission's

approval. The financial statements of the McNairy County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The McNairy County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

McNairy County Airport Authority
2281 Airport Road
Selmer, TN 38375

McNairy County Emergency
Communications District
12 Falcon Street
Selmer, TN 38375

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of McNairy County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The McNairy County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not

properly included among program revenues are reported instead as general revenues.

McNairy County issues all debt for the discretely presented McNairy County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2018.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of McNairy County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. McNairy County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are

available. McNairy County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

McNairy County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste/Sanitation Fund – This special revenue fund accounts for the county’s garbage collection operations. Residential waste collection charges are the foundational revenues of this fund.

Highway Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Education Capital Projects Fund – This fund accounts for debt issued by McNairy County that is subsequently contributed to the discretely presented McNairy County School Department for construction and renovation projects.

Additionally, McNairy County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in McNairy County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented McNairy County School Department reports the following major governmental funds:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

Education Capital Projects Fund – This fund is used to account for the receipt of debt issued by McNairy County and contributed to the School Department for building construction.

Additionally, the McNairy County School Department reports the following fund type:

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented McNairy County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund and the primary government's Education Capital Projects Fund. McNairy County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Advances between funds, as reported in the General Debt Service Fund financial statements, are offset by a nonspendable fund balance classification account to indicate that they are not available for appropriation and are not expendable from available financial resources.

Property taxes and solid waste receivables are shown with an allowance for uncollectibles. The solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 3.23 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not

available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 20
Infrastructure:	
Roads	20 - 50
Bridges	30

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for the deferred charge on refunding, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, as well as employer contributions made to the pension and OPEB plans after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, OPEB changes in assumptions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. There is no liability for accumulated sick leave since McNairy County does not have a policy to pay sick leave when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The School Department has a formal leave policy; however, the policy does not provide for employees to receive compensation for unused accumulated vacation or sick leave days.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and are amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, landfill closure/postclosure care costs, and other postemployment benefits are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors,

grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2018, McNairy County had \$22,511,260 in outstanding debt for capital purposes for the discretely presented McNairy County School Department. This debt is a liability of McNairy County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, McNairy County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the county commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes but are neither restricted nor committed (excluding stabilization arrangements). The county commission has by resolution authorized the county’s Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

9. Restatements

In prior years, the government was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, McNairy County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements increasing the beginning net position of the Governmental Activities of the primary government by \$521 and reducing the beginning net position of the discretely presented McNairy School Department by \$18,314,535 have been recognized to account for the transitional requirements.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of McNairy County’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from McNairy County’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented McNairy County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by McNairy County. For this purpose, McNairy County recognizes benefit payments when due and payable in accordance with benefit terms. McNairy County's OPEB plan is not administered through a trust.

Discretely Presented McNairy County School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented McNairy County School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The School Department's OPEB plan is not administered through a trust.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented McNairy County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the changes in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented McNairy County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year-end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the county commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the county commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

B. Cash Shortages – Prior Years

The audit of McNairy County for the 2007-08 year reported a cash shortage of \$13,528.19 in the Office of Circuit Court Clerk. A former office employee admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, the former employee pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, granted probation immediately, and ordered to pay \$4,405 for restitution to the county for audit expenses. As of June 30, 2018, uncollected restitution for audit expenses totaled \$3,390.50.

The audit of McNairy County for the 2011-12 year reported a cash shortage of \$9,782.36 in the Office of Sheriff. A former employee admitted taking the funds, and on February 14, 2013, was found guilty of theft of property and official misconduct and ordered to pay restitution and court costs. As of June 30, 2018, the uncollected cash shortage totaled \$6,341.38.

C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$162,117 at June 30, 2018. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2018.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations in the General, Solid Waste/Sanitation, Drug Control, General Debt Service, and General Purpose School funds by \$1,286,619, \$98,663, \$342, \$4,065, and \$331,559, respectively. Also, expenditures exceeded appropriations approved by the county commission in several major appropriation categories (the legal level of control) of the Highway/Public Works Fund as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Highways - Administration	\$ 427
Highways - Highway and Bridge Maintenance	232,245
Highways - Operation and Maintenance of Equipment	28,598

Expenditures that exceed appropriations are a violation of state statutes.

These expenditures in excess of appropriations were funded by available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

McNairy County and the McNairy County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These

investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller’s Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2018, McNairy County had the following investments carried at fair value within the fair value hierarchy established by generally accepted accounting principles. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for McNairy County and the discretely presented McNairy County School Department since both pool their deposits and investments through the county trustee.

Investments	Maturities	Fair Value
U.S. Treasury Bills	7-19-18 to 9-13-18	\$ 5,100,672
U.S. Treasury Notes	10-15-18 to 11-15-19	<u>11,268,291</u>
Total		<u>\$ 16,368,963</u>
		Fair Value Measurement Using Quoted Prices in Active Markets for Identical Fair Value Assets (Level 1)
<u>Investment by fair value level</u>	<u>6-30-18</u>	
U.S. Treasury Bills	\$ 5,100,672	\$ 5,100,672
U.S. Treasury Notes	<u>11,268,291</u>	<u>11,268,291</u>
Total	<u>\$ 16,368,963</u>	<u>\$ 16,368,963</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. McNairy County does not have a formal investment policy that limits investment maturities as

a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. McNairy County has no investment policy that would further limit its investment choices. As of June 30, 2018, McNairy County's investments in the U.S. Treasury Bills and U.S. Treasury Notes were unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 1,140,327	\$ 300,000	\$ 0	\$ 1,440,327
Total Capital Assets Not Depreciated	\$ 1,140,327	\$ 300,000	\$ 0	\$ 1,440,327
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,776,631	\$ 200,000	\$ 0	\$ 10,976,631
Infrastructure	6,033,536	0	0	6,033,536
Other Capital Assets	6,337,273	458,318	162,847	6,632,744
Total Capital Assets Depreciated	\$ 23,147,440	\$ 658,318	\$ 162,847	\$ 23,642,911
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,495,300	\$ 237,486	\$ 0	\$ 7,732,786
Infrastructure	1,626,639	259,916	0	1,886,555
Other Capital Assets	5,127,496	324,669	154,265	5,297,900
Total Accumulated Depreciation	\$ 14,249,435	\$ 822,071	\$ 154,265	\$ 14,917,241
Total Capital Assets Depreciated, Net	\$ 8,898,005	\$ (163,753)	\$ 8,582	\$ 8,725,670
Governmental Activities Capital Assets, Net	\$ 10,038,332	\$ 136,247	\$ 8,582	\$ 10,165,997

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$	182,041
Finance		14,576
Administration of Justice		5,087
Public Safety		139,459
Public Health and Welfare		50,506
Highway/Public Works		<u>430,402</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>822,071</u></u>

Discretely Presented McNairy County School Department

Governmental Activities:

	Balance		Balance
	7-1-17	Increases	6-30-18
Capital Assets Not Depreciated:			
Land	\$ 1,286,479	\$ 5,000	\$ 1,291,479
Construction in Progress	200,350	1,500,166	1,700,516
Total Capital Assets Not Depreciated	<u>\$ 1,486,829</u>	<u>\$ 1,505,166</u>	<u>\$ 2,991,995</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 28,119,117	\$ 0	\$ 28,119,117
Other Capital Assets	8,085,233	360,929	8,446,162
Total Capital Assets Depreciated	<u>\$ 36,204,350</u>	<u>\$ 360,929</u>	<u>\$ 36,565,279</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 17,947,146	\$ 529,440	\$ 18,476,586
Other Capital Assets	5,867,875	380,044	6,247,919
Total Accumulated Depreciation	<u>\$ 23,815,021</u>	<u>\$ 909,484</u>	<u>\$ 24,724,505</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,389,329</u>	<u>\$ (548,555)</u>	<u>\$ 11,840,774</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 13,876,158</u></u>	<u><u>\$ 956,611</u></u>	<u><u>\$ 14,832,769</u></u>

There were no decreases in capital assets to report during the year ended June 30, 2018. Depreciation expense was charged to functions of the discretely presented McNairy County School Department as follows:

Governmental Activities:

Instruction	\$	585,845
Support Services		303,968
Operation of Non-instructional Services		<u>19,671</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>909,484</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 3,272
"	Nonmajor governmental	780

These balances resulted from the time lag between dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Advances to/from Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	General	\$ 500,000

The balance of \$500,000 due to the General Debt Service Fund from the General Fund resulted from an advance to the General Fund to finance the acquisition of property to be used for the Health Department and other county services.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following amounts:

Discretely Presented McNairy County School Department

Transfer Out	Transfer In	
	General Purpose School Fund	Purpose
Nonmajor governmental fund	\$ 37,006	Indirect costs

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Capital Leases

On October 6, 2017, McNairy County entered into a two-year lease-purchase agreement for six cars for the Sheriff’s Department. The terms of the agreement require total lease payments of \$167,982 plus interest of 4.75 percent. Title to the cars transfers to McNairy County at the end of the lease period. The lease payments are made from the General Fund.

On December 1, 2017, McNairy County entered into a three-year lease-purchase agreement for clean energy lighting upgrades for county facilities. The terms of the agreement require total lease payments of \$176,382 plus interest of 4.746 percent. Title to the upgrades transfers to McNairy County immediately upon acceptance of each upgrade. The lease payments are made from the General Fund. In the government-wide financial statements, the upgrades were expensed in the year of acquisition because those items did not meet criteria of the county’s capitalization policy.

On December 28, 2017, McNairy County entered into a two-year lease-purchase agreement for a car for the Sheriff’s Department. The terms of the agreement require total lease payments of \$28,002 plus interest of 4.75 percent. Title to the car transfers to McNairy County at the end of the lease period. The lease payments are made from the General Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Other Capital Assets	\$ 372,366
Less: Accumulated Depreciation	<u>(31,264)</u>
Total Book Value	<u>\$ 341,102</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2019	\$ 132,807
2020	<u>132,808</u>
Total Minimum Lease Payments	\$ 265,615
Less: Amount Representing Interest	<u>(21,154)</u>
Present Value of Minimum Lease Payments	<u>\$ 244,461</u>

E. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

McNairy County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 29 years for bonds and 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2018, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds	2 to 4.75%	6-1-46	\$ 20,312,750	\$ 19,475,143
General Obligation Bonds - Refunding	2 to 4.5	6-1-46	9,990,000	3,640,000
Capital Outlay Notes	0 to 3.67	6-1-30	3,346,560	2,785,117
Capital Leases	4.746 to 4.75	6-1-20	372,366	244,461

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2018, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 1,024,956	\$ 763,580	\$ 1,788,536
2020	437,027	730,195	1,167,222
2021	648,789	720,432	1,369,221
2022	569,371	697,451	1,266,822
2023	545,000	672,782	1,217,782
2024-2028	3,535,000	2,957,693	6,492,693
2029-2033	3,100,000	2,505,131	5,605,131
2034-2038	4,170,000	1,948,705	6,118,705
2039-2043	4,885,000	1,221,538	6,106,538
2044-2047	4,200,000	345,833	4,545,833
Total	\$ 23,115,143	\$ 12,563,340	\$ 35,678,483

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 296,289	\$ 63,468	\$ 359,757
2020	296,289	52,411	348,700
2021	296,290	46,581	342,871
2022	290,139	40,749	330,888
2023	267,778	35,115	302,893
2024-2028	1,138,332	101,484	1,239,816
2029-2030	200,000	11,010	211,010
Total	\$ 2,785,117	\$ 350,818	\$ 3,135,935

There is \$3,552,968 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$886, based on the 2010 federal

census. Total debt per capita, including bonds, notes, capital leases, and unamortized debt premiums, totaled \$1009, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2017	\$ 8,919,276	\$ 1,726,406	\$ 3,576
Additions	15,475,000	1,250,000	372,366
Reductions	(1,279,133)	(191,289)	(131,481)
Balance, June 30, 2018	<u>\$ 23,115,143</u>	<u>\$ 2,785,117</u>	<u>\$ 244,461</u>
Balance Due Within One Year	<u>\$ 1,024,956</u>	<u>\$ 296,289</u>	<u>\$ 118,717</u>
		Landfill Closure/ Postclosure	
	Compensated Absences	Care Costs	Net OPEB Liability*
Balance, July 1, 2017	\$ 121,466	\$ 511,024	\$ 68,479
Additions	132,322	8,757	9,287
Reductions	(112,236)	(24,501)	(2,227)
Balance, June 30, 2018	<u>\$ 141,552</u>	<u>\$ 495,280</u>	<u>\$ 75,539</u>
Balance Due Within One Year	<u>\$ 82,144</u>	<u>\$ 24,500</u>	<u>\$ 0</u>

*Restated Balance - See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 26,857,092
Less: Balance Due Within One Year	(1,546,606)
Add: Unamortized Premium on Debt	<u>156,338</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 25,466,824</u>

Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund. The net OPEB liability will be paid from the Highway/Public Works Fund.

Discretely Presented McNairy County School Department

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	<u>Net OPEB Liability*</u>
Balance, July 1, 2017	\$ 19,780,782
Additions	2,219,280
Reductions	<u>(2,305,806)</u>
Balance, June 30, 2018	<u>\$ 19,694,256</u>
Balance Due Within One Year	<u>\$ 0</u>

*Restated Balance - See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 19,694,256
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 19,694,256</u>

The net OPEB liability will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

F. On-Behalf Payments – Discretely Presented McNairy County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2018, were

\$91,759 and \$54,452, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

During the year, McNairy County borrowed \$500,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund. This loan was retired prior to June 30, 2018, as required by state statutes, and therefore has not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2018, was as follows:

	Balance 7-1-17	Issued	Paid	Balance 6-30-18
Tax Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

McNairy County is exposed to various risks related to general liability, property, and casualty losses. The county participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

McNairy County participates in the Local Government Workers' Compensation Fund (LWCF), a public entity risk pool established under the provisions of Section 29-20-401, *Tennessee Code Annotated (TCA)*, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The LWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

The employees of McNairy County (excluding the Highway Department) are provided health insurance through the purchase of commercial insurance. Retirees are not allowed to continue coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

McNairy County provides health insurance coverage to its Highway Department employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *TCA*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented McNairy County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes

standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. Contingent Liabilities

The attorneys for the county and the School Department advised of several pending lawsuits involving McNairy County. However, they estimate that any potential claims not covered by insurance resulting from such litigation should not materially affect the county or the School Department's financial statements.

D. Change in Administration

On May 20, 2018, Wayne Henry left the Office of Director of Schools and was succeeded by Greg Martin on May 21, 2018.

E. Landfill Closure/Postclosure Care Costs

McNairy County has active permits on file with the state Department of Environment and Conservation for a sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The \$495,280 reported as postclosure care liability at June 30, 2018, represents amounts based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Jointly Governed Organization

The West Tennessee Railroad Authority (WTRA) was created by Gibson County in conjunction with the counties of Chester, Madison, McNairy, and Weakley. The WTRA's board includes the mayors of Chester, Gibson, Madison, McNairy, and Weakley counties, and one at-large member from each of these areas. However, the counties do not have any ongoing financial interest or responsibility for the entity.

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 43 percent and the non-certified employees of the discretely presented School Department comprised 57 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by

statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	134
Inactive Employees Entitled to But Not Yet Receiving Benefits	378
Active Employees	<u>356</u>
 Total	 <u><u>868</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. McNairy County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contribution for McNairy County was \$405,466 based on a rate of 5.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept McNairy County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

McNairy County's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate

net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	5.69	%	31	%
International Equity Emerging Market	5.29		14	
International Equity Private Equity and Strategic Lending	6.36		4	
U.S. Fixed Income	5.79		20	
Real Estate	2.01		20	
Short-term Securities	4.32		10	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from McNairy County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	\$ 15,652,827	\$ 16,330,217	\$ (677,390)
Changes for the year:			
Service Cost	\$ 581,519	\$ 0	\$ 581,519
Interest	1,193,154	0	1,193,154
Differences Between Expected and Actual Experience	18,203	0	18,203
Changes in Assumptions	614,108	0	614,108
Contributions-Employer	0	412,547	(412,547)
Contributions-Employees	0	392,901	(392,901)
Net Investment Income	0	1,857,916	(1,857,916)
Benefit Payments, Including Refunds of Employee Contributions	(651,243)	(651,243)	0
Administrative Expense	0	(30,723)	30,723
Other Changes	0	240	(240)
Net Changes	\$ 1,755,741	\$ 1,981,638	\$ (225,897)
Balance, June 30, 2017	\$ 17,408,568	\$ 18,311,855	\$ (903,287)

Allocation of Agent Plan Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government 43.00%	\$ 7,485,684	\$ 7,874,098	\$ (388,413)
School Department 57.00%	9,922,884	10,437,757	(514,874)
Total	\$ 17,408,568	\$ 18,311,855	\$ (903,287)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of McNairy County calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it was

calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
McNairy County	6.25%	7.25%	8.25%

Net Pension Liability (Asset) \$ 1,186,327 \$ (903,287) \$ (2,655,807)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2018, McNairy County recognized pension expense of \$107,730.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, McNairy County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 14,562	\$ 356,438
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	7,119
Changes in Assumptions	491,286	
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	405,466	N/A
Total	<u>\$ 911,314</u>	<u>\$ 363,557</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 391,853	\$ 156,329
School Department	<u>519,461</u>	<u>207,228</u>
Total	<u>\$ 911,314</u>	<u>\$ 363,557</u>

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (75,119)
2020	155,263
2021	61,391
2022	756
2023	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented McNairy County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 43 percent and the non-certified employees of the discretely presented School Department comprised 57 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the McNairy County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018, to the Teacher Retirement Plan were \$84,335, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$74,880) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .283812 percent. The proportion as of June 30, 2016, was .226590 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$33,597.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department reported deferred

outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 2,624	\$ 5,632
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	4,029
Changes in Assumptions	6,578	0
Changes in Proportion of Net Pension Liability (Asset)	1,711	6,355
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	84,335	N/A
Total	<u>\$ 95,248</u>	<u>\$ 16,016</u>

The McNairy County School Department's employer contributions of \$84,335, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (724)
2020	(724)
2021	(955)
2022	(1,991)
2023	(91)
Thereafter	618

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the School

Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%

Net Pension Liability (Asset) \$ 14,939 \$ (74,880) \$ (140,763)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the McNairy County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members

are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the McNairy County School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were \$1,424,893, which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$144,827) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an

actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .442650 percent. The proportion measured at June 30, 2016, was .447117 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$26,102.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Difference Between Expected and Actual Experience	\$ 87,312	\$ 2,990,011
Changes in Assumptions	1,226,606	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	21,984	0
Changes in Proportion of Net Pension Liability (Asset)	114,413	53,717
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	<u>1,424,893</u>	<u>N/A</u>
Total	<u>\$ 2,875,208</u>	<u>\$ 3,043,728</u>

The McNairy County School Department's employer contributions of \$1,424,832 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (1,011,888)
2020	469,726
2021	(348,813)
2022	(702,438)
2023	0
Thereafter	0

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity	6.36	4
Private Equity and Strategic Lending	5.79	20
U.S. Fixed Income	2.01	20
Real Estate	4.32	10
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all

periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease	Current Discount Rate 7.25%	1% Increase 8.25%
	6.25%	7.25%	8.25%

Net Pension Liability (Asset) \$ 12,995,171 \$ (144,827) \$ (11,005,902)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

2. **Deferred Compensation**

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year, the School Department contributed \$103,351 and teachers contributed \$17,000 to this deferred compensation pension plan.

H. **Other Postemployment Benefits (OPEB)**

The McNairy County Highway Department and the discretely presented McNairy County School Department provide OPEB benefits to its retirees through state administered public entity risk pools. For reporting purposes, the plans are considered a single employer defined benefit OPEB plan based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

OPEB Provided through State Administered Public Entity Risk Pools

Retirees of the McNairy County Highway Department are provided healthcare under the Local Government Plan (LGP) until they reach Medicare eligibility. Likewise, the School Department provides healthcare benefits to its employees under the Local Education Plan (LEP) until they reach Medicare eligibility. The certified retirees of the McNairy County School Department may then join the Tennessee Plan – Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare.

The Highway Department and School Department’s total OPEB liability for each plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2017, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LGP and LEP - Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend rate of 3.53% with .18% added to approximate the effect of the excise tax TNM - The premium subsidies provided to retirees by the state are assumed to remain unchanged for the entire projection. Subsidies provided by the employer are assumed to increase as the premiums set by the TN plan increase. Those are expected to increase 4.6% for 2019 and grade down to the ultimate level of 3.53% over a period of 33 years.
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.56 percent, based on the daily rate of Fidelity’s 20-Year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Changes in Assumptions. The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

Closed Local Government OPEB Plan (Primary Government)

Plan Description. Employees of the McNairy County Highway Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government Plan (LGP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The McNairy County Highway Department offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all

participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The McNairy County Highway Department does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	25
Total	<u>25</u>

An insurance committee, created in accordance with *TCA 8-27-701*, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the county paid \$1,403 to the LGP for OPEB benefits as they came due.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance July 1, 2016	<u>\$ 68,479</u>
Changes for the Year:	
Service Cost	\$ 7,081
Interest	2,206
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	0
Changes in Assumption and Other Inputs	(2,227)
Benefit Payments	<u>0</u>
Net Changes	<u>\$ 7,060</u>
Balance June 30, 2017	<u><u>\$ 75,539</u></u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the Highway Department recognized OPEB expense of \$8,964. At June 30, 2018, the Highway Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	1,904
Net Difference Between Projected and Benefits Paid After the Measurement Date	<u>1,403</u>	<u>0</u>
Total	<u><u>\$ 1,403</u></u>	<u><u>\$ 1,904</u></u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Total Amount</u>
2019	\$ (323)
2020	(323)
2021	(323)
2022	(323)
2023	(323)
Thereafter	(289)

In the table shown above positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Highway Department calculated using the current discount rate as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>Discount Rate</u>	1% Decrease	Current Discount Rate	1% Increase
	2.56%	3.56%	4.56%
Total OPEB Liability	\$ 79,038	\$ 75,539	\$ 72,093

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Highway Department calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

<u>Healthcare Cost Trend Rate</u>	1% Decrease	Current Rates	1% Increase
	6 to 3.77%	7 to 4.77%	8 to 5.77%
Total OPEB Liability	\$ 69,433	\$ 75,539	\$ 82,372

**Closed Local Education (LEP) OPEB Plan - Discretely Presented
McNairy County School Department**

Plan Description. Employees of the McNairy County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Education Plan (LEP)

administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The McNairy County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. During the year, McNairy County provided direct subsidies of \$158 to \$1,273 per month toward the cost of the insurance plan selected by the retiree. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees' premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	26
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	536
Total	<u><u>562</u></u>

A state insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired

employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid \$288,787 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	McNairy County School Department 67.827%	State of TN 32.173%	Total OPEB Liability
Balance July 1, 2016	\$ 6,011,229	\$ 2,851,361	\$ 8,862,590
Changes for the Year:			
Service Cost	\$ 386,495	\$ 183,330	\$ 569,825
Interest	183,581	87,080	270,661
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(291,202)	(138,128)	(429,330)
Benefit Payments	(221,383)	(105,010)	(326,393)
Net Changes	<u>\$ 57,492</u>	<u>\$ 27,271</u>	<u>\$ 84,763</u>
Balance June 30, 2017	<u>\$ 6,068,721</u>	<u>\$ 2,878,632</u>	<u>\$ 8,947,353</u>

The McNairy County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The McNairy County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$257,379 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the McNairy County School Department's proportionate share of the collective OPEB liability was 67.827% and the State of Tennessee's share was 32.173%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department

recognized OPEB expense of \$799,983, including the state's share of the expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	263,729
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	<u>288,787</u>	<u>0</u>
Total	<u>\$ 288,787</u>	<u>\$ 263,729</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	\$ (27,472)
2020	(27,472)
2021	(27,472)
2022	(27,472)
2023	(27,472)
Thereafter	(126,369)

In the table shown above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

<u>Discount Rate</u>	1% Decrease	Current Discount Rate	1% Increase
	2.56%	3.56%	4.56%

Proportionate Share of the Collective Total OPEB Liability	\$ 6,527,080	\$ 6,068,721	\$ 5,631,088
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Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

<u>Healthcare Cost Trend Rate</u>	1% Decrease	Current Rates	1% Increase
	6.5 to 2.71%	7.5 to 3.71%	8.5 to 4.71%

Proportionate Share of the Collective Total OPEB Liability	\$ 5,339,451	\$ 6,068,721	\$ 6,939,712
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Closed Tennessee Plan – Medicare (Discretely Presented School Department)

Plan Description. Employees of the McNairy County School Department, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan - Medicare (TNM) administered by the Tennessee Department of Finance and Administration. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNM. The TNM also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The School Department's total OPEB liability for the TNM Plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Benefits Provided. The state offers the TNM to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNM does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNM are established and amended by cooperation of insurance committees created by

TCA Sections 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The McNairy County School Department provides a subsidy of \$88 per month for retirees with 30 or more years of service, retirees with 20-29 years of service receive \$101, and retirees with 10-19 years of service receive \$113 to \$138. The state, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. The State of Tennessee provides a subsidy of \$50 per month for retirees with 30 or more years of service, retirees with 20-29 years of service receive \$37.50, and retirees with 15-19 years of service receive \$25.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	106
Inactive Employees Entitled to But Not Yet Receiving Benefits	24
Active Employees	536
 Total	 <u><u>666</u></u>

In accordance with TCA 8-27-209, the state insurance committees established by TCA Sections 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. For the fiscal year ended June 30, 2018, the School Department paid \$131,783 to the TNM for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	McNairy County	State of	Total OPEB
	School Department	TN	
	89.633%	10.367%	Liability
Balance July 1, 2016	\$ 13,769,553	\$ 1,592,611	\$ 15,362,164
Changes for the Year:			
Service Cost	\$ 1,214,020	\$ 140,416	\$ 1,354,436
Interest	435,182	50,334	485,516
Changes in			
Benefit Terms	0	0	0
Difference between			
Expected and Actuarial			
Experience	0	0	0
Changes in Assumption			
and Other Inputs	(1,633,047)	(188,881)	(1,821,928)
Benefit Payments	(160,174)	(18,526)	(178,700)
Net Changes	<u>\$ (144,019)</u>	<u>\$ (16,657)</u>	<u>\$ (160,676)</u>
Balance June 30, 2017	<u>\$ 13,625,535</u>	<u>\$ 1,575,953</u>	<u>\$ 15,201,488</u>

The McNairy County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retirees participating in the TNM. The McNairy County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$169,527 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TMN for School Department retirees.

During the year, the McNairy County School Department's proportionate share of the collective OPEB liability was 89.633 percent and the State of Tennessee's share was 10.367 percent.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of \$1,635,241 including the state's share of the OPEB expense.

At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	1,449,558
Benefits Paid After the Measurement Date	131,783	0
Total	<u>\$ 131,783</u>	<u>\$ 1,449,558</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	\$ (183,488)
2020	(183,488)
2021	(183,488)
2022	(183,488)
2023	(183,488)
Thereafter	(532,118)

In the table shown above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the TNM, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

<u>Discount Rate</u>	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
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Proportionate Share of the Collective Total OPEB Liability	\$ 16,263,651	\$ 13,625,535	\$ 11,440,792
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Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

<u>Healthcare Cost Trend Rate</u>	1% Decrease 3.6 to 2.53%	Current Rates 4.6 to 3.53%	1% Increase 5.6 to 4.53%
Proportionate Share of the Collective Total OPEB Liability	\$ 10,846,613	\$ 13,625,535	\$ 17,386,818

I. Purchasing Laws

Office of County Mayor

Chapter 171, Private Acts of 1990, provides for the county mayor to serve as purchasing agent for McNairy County and to award all contracts for purchases for all departments, excluding purchases made from county highway or county education funds. Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Commissioner

Section 54-7-113, *TCA*, (Uniform Road Law), governs purchasing procedures for the Highway Department. This statute requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented McNairy County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

J. Subsequent Events

On August 31, 2018, Ronnie Brooks left the Office of County Mayor and was succeeded by Larry Smith on September 1, 2018.

On September 24, 2018, the county's General Debt Service Fund issued a \$250,000 tax anticipation note to the General Fund for temporary operating funds.

VI. OTHER NOTES – DISCRETELY PRESENTED McNAIRY COUNTY AIRPORT AUTHORITY

A. General Information

1. GASB Conformity

The McNairy County Airport Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

2. Financial Reporting Entity

The authority is a component unit of McNairy County, Tennessee, and is governed by a board of directors appointed by the county government. The authority is responsible for financing, developing, and operating McNairy County's public airport. The McNairy County Commission approves the operating budget of the authority and has provided regular operating subsidies to the authority in the past.

3. Fund Accounting

The accounts of the authority are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad category as follows:

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services

to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized when earned, and expenses are recognized when incurred. The authority has defined nonoperating revenues to be revenues that are not generated from daily operations. Capital contributions are nonoperating revenues.

2. Capital Assets

All capital assets of the authority are recorded at original cost. Expenses that materially increase values or capacities, or extend useful lives of these assets, are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. These depreciable capital assets are being depreciated over various estimated useful lives on a straight-line basis. Any interest incurred in preparing or acquiring a capital asset for use is included in its cost. The authority has not adopted a capitalization threshold policy.

3. Cash Equivalents

Cash and cash equivalents include demand deposit accounts. Restricted cash consists of deposits held in an escrow account to fund the authority's local matching requirement for the ongoing authority grant projects and deposits in other local bank accounts for the retainage due on several projects.

4. Inventory

Inventory consists of fuel. Cost is determined using the first-in first-out method.

C. Cash and Investments

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the authority must have a written collateral agreement approved by the board of directors or loan committee.

The authority's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority requires any bank deposits to be insured by the Federal Deposit Insurance Corporation (FDIC), and any deposit in excess of FDIC coverage shall be collateralized by acceptable securities pledged for said purpose and an agreement between the bank of deposit and the authority shall be executed. As of June 30, 2018, the authority's bank balances were not exposed to custodial credit risk because they were insured and collateralized.

The authority also has \$9,279 in an escrow account with the State of Tennessee.

D. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Description	Balance			Balance 6-30-18
	7-1-17	Increases	Decreases	
Capital Assets Not Depreciated:				
Land	\$ 91,331	\$ 0	\$ 0	\$ 91,331
Construction in Progress	402,375	1,550	402,375	1,550
Total Capital Assets Not Depreciated	\$ 493,706	\$ 1,550	\$ 402,375	\$ 92,881
Capital Assets Depreciated:				
Airport	\$ 5,992,625	\$ 484,440	\$ 3,500	\$ 6,473,565
Building	196,238	0	0	196,238
Equipment	216,254	15,505	0	231,759
Vehicles	29,400	0	0	29,400
Total Capital Assets Depreciated	\$ 6,434,517	\$ 499,945	\$ 3,500	\$ 6,930,962
Less Accumulated Depreciation For:				
Airport	\$ 2,167,333	\$ 235,514	\$ 0	\$ 2,402,847
Building	71,955	4,906	0	76,861
Equipment	202,617	10,350	0	212,967
Vehicles	12,924	4,380	0	17,304
Total Accumulated Depreciation	\$ 2,454,829	\$ 255,150	\$ 0	\$ 2,709,979
Total Capital Assets, Net	\$ 4,473,394	\$ 246,345	\$ 405,875	\$ 4,313,864

E. Risk Management

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded this commercial coverage in any of the past three years.

F. Net Position Flow Assumption

Sometimes the authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net position is displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated

depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

G. Unearned Revenues – Rent

The hospital prepaid hangar rent for 15 years to aid in construction of a new hangar. The authority has recorded the appropriate amount as unearned rent and is recognizing the rent revenue as it is earned.

H. Construction and Other Significant Commitments

The authority has one significant commitment on a construction project for hangar rehabilitation. This project has estimated costs of \$185,000. It is to be funded with \$175,750 from grant funds and \$9,250 from the authority's local share. The authority had \$1,550 recorded as construction in progress for this project at June 30, 2018.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

McNairy County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	2014	2015	2016	2017
Total Pension Liability (Asset)				
Service Cost	\$ 517,696	\$ 523,449	\$ 562,697	\$ 581,519
Interest	999,235	1,059,743	1,136,026	1,193,154
Differences Between Actual and Expected Experience	(236,568)	(106,163)	(374,167)	18,203
Changes of Assumptions	0	0	0	614,108
Benefit Payments, Including Refunds of Employee Contributions	(472,435)	(486,255)	(512,088)	(651,243)
Net Change in Total Pension Liability (Asset)	\$ 807,928	\$ 990,774	\$ 812,468	\$ 1,755,741
Total Pension Liability (Asset), Beginning	13,041,657	13,849,585	14,840,359	15,652,827
Total Pension Liability (Asset), Ending (a)	\$ 13,849,585	\$ 14,840,359	\$ 15,652,827	\$ 17,408,568
Plan Fiduciary Net Position				
Contributions - Employer	\$ 380,365	\$ 397,514	\$ 403,328	\$ 412,547
Contributions - Employee	372,182	378,560	384,121	392,901
Net Investment Income	2,103,796	463,324	418,276	1,857,916
Benefit Payments, Including Refunds of Employee Contributions	(472,435)	(486,255)	(512,088)	(651,243)
Administrative Expense	(13,617)	(19,003)	(27,777)	(30,723)
Other	0	0	1,337	240
Net Change in Plan Fiduciary Net Position	\$ 2,370,291	\$ 734,140	\$ 667,197	\$ 1,981,638
Plan Fiduciary Net Position, Beginning	12,558,589	14,928,880	15,663,020	16,330,217
Plan Fiduciary Net Position, Ending (b)	\$ 14,928,880	\$ 15,663,020	\$ 16,330,217	\$ 18,311,855
Net Pension Liability (Asset), Ending (a - b)	\$ (1,079,295)	\$ (822,661)	\$ (677,390)	\$ (903,287)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	107.79%	105.54%	104.33%	105.19%
Covered Payroll	\$ 7,443,631	\$ 7,571,687	\$ 7,684,750	\$ 7,858,977
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(14.50)%	(10.86)%	(8.81)%	(11.49)%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-2

McNairy County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 380,365	\$ 397,514	\$ 403,328	\$ 213,764	\$ 227,833
Less Contributions in Relation to the Actuarially Determined Contribution	(380,365)	(397,514)	(403,328)	(412,547)	(405,466)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ (198,783)	\$ (177,633)
Covered Payroll	\$ 7,443,631	\$ 7,571,687	\$ 7,684,750	\$ 7,858,977	\$ 7,723,162
Contributions as a Percentage of Covered Payroll	5.11%	5.25%	5.25%	5.25%	5.25%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-3

McNairy County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented McNairy County School Department
For the Fiscal Year Ended June 30

	2015	2016	2017	2018
Contractually Required Contribution	\$ 24,876	\$ 39,880	\$ 74,511	\$ 84,335
Less Contributions in Relation to the Contractually Required Contribution	(24,876)	(39,880)	(74,511)	(84,335)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 621,907	\$ 997,001	\$ 1,862,766	\$ 2,108,375
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.00%	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

McNairy County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented McNairy County School Department
For the Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
Contractually Required Contribution	\$ 1,495,882	\$ 1,449,291	\$ 1,459,059	\$ 1,414,531	\$ 1,424,893
Less Contributions in Relation to the Contractually Required Contribution	(1,495,882)	(1,449,291)	(1,459,059)	(1,414,531)	(1,424,893)
Contribution Deficiency (Excess)	<u>\$ 0</u>				
Covered Payroll	\$ 16,845,522	\$ 16,031,992	\$ 16,140,062	\$ 15,647,497	\$ 15,692,645
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%	9.08%

Note: ten years of data will be presented when available.

Exhibit E-5

McNairy County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Retirement Plan of TCRS
Discretely Presented McNairy County School Department
For the Fiscal Year Ended June 30 *

	2016	2017	2018
School Department's Proportion of the Net Pension Liability (Asset)	0.293138%	0.226590%	0.283812%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (12,041)	\$ (23,589)	\$ (74,880)
Covered Payroll	\$ 621,907	\$ 997,001	\$ 1,862,766
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%	(4.02)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	126.81%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

McNairy County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented McNairy County School Department
For the Fiscal Year Ended June 30 *

	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability (Asset)	0.429186%	0.428261%	0.447117%	0.442650%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (69,741)	\$ 175,431	\$ 2,794,236	\$ (144,827)
Covered Payroll	\$ 16,845,522	\$ 16,031,992	\$ 16,140,062	\$ 15,647,497
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.414002)%	1.94253%	17.31%	(0.93)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-7

McNairy County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Government Plan
For the Fiscal Year Ended June 30 *

McNairy County Highway Department Plan

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 7,081
Interest	2,206
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(2,227)
Benefit Payments	<u>0</u>
Net Change in Total OPEB Liability	\$ 7,060
Total OPEB Liability, Beginning	<u>68,479</u>
Total OPEB Liability, Ending	<u><u>\$ 75,539</u></u>
Covered Employee Payroll	\$ 822,910
Net OPEB Liability as a Percentage of Covered Employee Payroll	9.18%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Exhibit E-8

McNairy County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Education Plan
Discretely Presented McNairy County School Department
For the Fiscal Year Ended June 30 *

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 569,825
Interest	270,661
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(429,330)
Benefit Payments	<u>(326,393)</u>
Net Change in Total OPEB Liability	\$ 84,763
Total OPEB Liability, Beginning	<u>8,862,590</u>
Total OPEB Liability, Ending	<u>\$ 8,947,353</u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 2,878,632
Employer Proportionate Share of the Total OPEB Liability	6,068,721
Covered Employee Payroll	\$ 22,162,112
Net OPEB Liability as a Percentage of Covered Employee Payroll	27.38%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Exhibit E-9

McNairy County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Tennessee Plan - Medicare
Discretely Presented McNairy County School Department
For the Fiscal Year Ended June 30 *

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 1,354,436
Interest	485,516
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(1,821,928)
Benefit Payments	(178,700)
Net Change in Total OPEB Liability	<u>\$ (160,676)</u>
Total OPEB Liability, Beginning	<u>15,362,164</u>
Total OPEB Liability, Ending	<u><u>\$ 15,201,488</u></u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 1,575,953
Employer Proportionate Share of the Total OPEB Liability	13,625,535
Covered Employee Payroll	\$ 22,162,112
Net OPEB Liability as a Percentage of Covered Employee Payroll	61.48%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

McNAIRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the July 1, 2016, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Law Library Fund – The Law Library Fund is used to account for a special tax levied by private act on litigation. Proceeds of the tax must be expended for the benefit of the county's law library.

Special Purpose Fund – The Special Purpose Fund is used to account for transactions of a higher education center.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register of deeds, and sheriff.

Capital Projects Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for the transactions of the Cypress Creek Watershed.

Exhibit F-1

McNairy County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds					Capital Projects Funds
	Law Library	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 780	\$ 780	\$ 0
Equity in Pooled Cash and Investments	6,338	82,540	119,179	0	208,057	1,251,218
Accounts Receivable	0	31,411	0	0	31,411	0
Total Assets	\$ 6,338	\$ 113,951	\$ 119,179	\$ 780	\$ 240,248	\$ 1,251,218
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 2,520	\$ 131	\$ 0	\$ 2,651	\$ 0
Payroll Deductions Payable	0	82	0	0	82	0
Due to Other Funds	0	0	0	780	780	0
Total Liabilities	\$ 0	\$ 2,602	\$ 131	\$ 780	\$ 3,513	\$ 0
<u>FUND BALANCES</u>						
Restricted:						
Restricted for General Government	\$ 0	\$ 23,335	\$ 0	\$ 0	\$ 23,335	\$ 0
Restricted for Public Safety	0	0	119,048	0	119,048	0
Restricted for Social, Cultural, and Recreational Services	6,338	0	0	0	6,338	0
Restricted for Capital Outlay	0	0	0	0	0	1,251,218
Committed:						
Committed for General Government	0	88,014	0	0	88,014	0
Committed for Agriculture and Natural Resources	0	0	0	0	0	0
Total Fund Balances	\$ 6,338	\$ 111,349	\$ 119,048	\$ 0	\$ 236,735	\$ 1,251,218
Total Liabilities and Fund Balances	\$ 6,338	\$ 113,951	\$ 119,179	\$ 780	\$ 240,248	\$ 1,251,218

(Continued)

Exhibit F-1

McNairy County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds (Cont.)

	<u>Capital Projects Funds (Cont.)</u>		
	Community Development/ Industrial Park	Total	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 0	\$ 780
Equity in Pooled Cash and Investments	8,840	1,260,058	1,468,115
Accounts Receivable	0	0	31,411
Total Assets	\$ 8,840	\$ 1,260,058	\$ 1,500,306
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 0	\$ 2,651
Payroll Deductions Payable	0	0	82
Due to Other Funds	0	0	780
Total Liabilities	\$ 0	\$ 0	\$ 3,513
<u>FUND BALANCES</u>			
Restricted:			
Restricted for General Government	\$ 0	\$ 0	\$ 23,335
Restricted for Public Safety	0	0	119,048
Restricted for Social, Cultural, and Recreational Services	0	0	6,338
Restricted for Capital Outlay	0	1,251,218	1,251,218
Committed:			
Committed for General Government	0	0	88,014
Committed for Agriculture and Natural Resources	8,840	8,840	8,840
Total Fund Balances	\$ 8,840	\$ 1,260,058	\$ 1,496,793
Total Liabilities and Fund Balances	\$ 8,840	\$ 1,260,058	\$ 1,500,306

Exhibit F-2

McNairy County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				Capital Projects Funds
	Law Library	Special Purpose	Drug Control	Total	General Capital Projects
<u>Revenues</u>					
Local Taxes	\$ 2,176	\$ 0	\$ 0	\$ 2,176	\$ 0
Fines, Forfeitures, and Penalties	0	0	23,922	23,922	0
Charges for Current Services	1,332	0	0	1,332	0
Other Local Revenues	0	115,175	52,796	167,971	0
Total Revenues	<u>\$ 3,508</u>	<u>\$ 115,175</u>	<u>\$ 76,718</u>	<u>\$ 195,401</u>	<u>\$ 0</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 100,121	\$ 0	\$ 100,121	\$ 0
Public Safety	0	0	39,624	39,624	0
Social, Cultural, and Recreational Services	2,759	0	0	2,759	0
Agriculture and Natural Resources	0	0	0	0	0
Other Operations	0	1,348	0	1,348	0
Debt Service:					
Principal on Debt	0	0	3,576	3,576	0
Interest on Debt	0	0	142	142	0
Other Debt Service	0	0	0	0	7,500
Capital Projects	0	0	0	0	51,587
Total Expenditures	<u>\$ 2,759</u>	<u>\$ 101,469</u>	<u>\$ 43,342</u>	<u>\$ 147,570</u>	<u>\$ 59,087</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 749</u>	<u>\$ 13,706</u>	<u>\$ 33,376</u>	<u>\$ 47,831</u>	<u>\$ (59,087)</u>

(Continued)

Exhibit F-2

McNairy County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds (Cont.)

	Special Revenue Funds				Capital Projects Funds
	Law Library	Special Purpose	Drug Control	Total	General Capital Projects
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	1,250,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	1,250,000
Net Change in Fund Balances	\$ 749	\$ 13,706	\$ 33,376	\$ 47,831	\$ 1,190,913
Fund Balance, July 1, 2017	5,589	97,643	85,672	188,904	60,305
Fund Balance, June 30, 2018	\$ 6,338	\$ 111,349	\$ 119,048	\$ 236,735	\$ 1,251,218

(Continued)

Exhibit F-2

McNairy County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds (Cont.)

	<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
	Community Development/ Industrial Park	Total	
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 0	\$ 2,176
Fines, Forfeitures, and Penalties	0	0	23,922
Charges for Current Services	0	0	1,332
Other Local Revenues	0	0	167,971
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 195,401</u>
<u>Expenditures</u>			
Current:			
General Government	\$ 0	\$ 0	\$ 100,121
Public Safety	0	0	39,624
Social, Cultural, and Recreational Services	0	0	2,759
Agriculture and Natural Resources	4,037	4,037	4,037
Other Operations	0	0	1,348
Debt Service:			
Principal on Debt	0	0	3,576
Interest on Debt	0	0	142
Other Debt Service	0	7,500	7,500
Capital Projects	0	51,587	51,587
Total Expenditures	<u>\$ 4,037</u>	<u>\$ 63,124</u>	<u>\$ 210,694</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,037)</u>	<u>\$ (63,124)</u>	<u>\$ (15,293)</u>

(Continued)

Exhibit F-2

McNairy County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds (Cont.)

	<u>Capital Projects Funds (Cont.)</u>		<u>Total</u>
	<u>Community</u>		<u>Nonmajor</u>
	<u>Development/</u>		<u>Governmental</u>
	<u>Industrial</u>	<u>Total</u>	<u>Funds</u>
	<u>Park</u>		
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 0	\$ 1,250,000	\$ 1,250,000
Total Other Financing Sources (Uses)	\$ 0	\$ 1,250,000	\$ 1,250,000
Net Change in Fund Balances	\$ (4,037)	\$ 1,186,876	\$ 1,234,707
Fund Balance, July 1, 2017	12,877	73,182	262,086
Fund Balance, June 30, 2018	\$ 8,840	\$ 1,260,058	\$ 1,496,793

Exhibit F-3

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Law Library Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,176	\$ 2,000	\$ 2,000	\$ 176
Charges for Current Services	1,332	1,400	1,400	(68)
Total Revenues	<u>\$ 3,508</u>	<u>\$ 3,400</u>	<u>\$ 3,400</u>	<u>\$ 108</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,759	\$ 3,400	\$ 3,400	\$ 641
Total Expenditures	<u>\$ 2,759</u>	<u>\$ 3,400</u>	<u>\$ 3,400</u>	<u>\$ 641</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 749</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 749</u>
Net Change in Fund Balance	\$ 749	\$ 0	\$ 0	\$ 749
Fund Balance, July 1, 2017	<u>5,589</u>	<u>5,739</u>	<u>5,739</u>	<u>(150)</u>
Fund Balance, June 30, 2018	<u>\$ 6,338</u>	<u>\$ 5,739</u>	<u>\$ 5,739</u>	<u>\$ 599</u>

Exhibit F-4

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 115,175	\$ 131,784	\$ 131,784	\$ (16,609)
Total Revenues	\$ 115,175	\$ 131,784	\$ 131,784	\$ (16,609)
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 100,121	\$ 102,915	\$ 102,915	\$ 2,794
<u>Other Operations</u>				
Employee Benefits	1,348	1,525	1,525	177
Total Expenditures	\$ 101,469	\$ 104,440	\$ 104,440	\$ 2,971
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,706	\$ 27,344	\$ 27,344	\$ (13,638)
Net Change in Fund Balance	\$ 13,706	\$ 27,344	\$ 27,344	\$ (13,638)
Fund Balance, July 1, 2017	97,643	124,668	124,668	(27,025)
Fund Balance, June 30, 2018	\$ 111,349	\$ 152,012	\$ 152,012	\$ (40,663)

Exhibit F-5

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 23,922	\$ 24,000	\$ 24,000	\$ (78)
Other Local Revenues	52,796	15,000	15,000	37,796
Total Revenues	<u>\$ 76,718</u>	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 37,718</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 39,624	\$ 43,000	\$ 43,000	\$ 3,376
<u>Principal on Debt</u>				
General Government	3,576	0	0	(3,576)
<u>Interest on Debt</u>				
General Government	142	0	0	(142)
Total Expenditures	<u>\$ 43,342</u>	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ (342)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 33,376</u>	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	<u>\$ 37,376</u>
Net Change in Fund Balance	\$ 33,376	\$ (4,000)	\$ (4,000)	\$ 37,376
Fund Balance, July 1, 2017	<u>85,672</u>	<u>76,644</u>	<u>76,644</u>	<u>9,028</u>
Fund Balance, June 30, 2018	<u>\$ 119,048</u>	<u>\$ 72,644</u>	<u>\$ 72,644</u>	<u>\$ 46,404</u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Exhibit G

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 821,944	\$ 843,133	\$ 843,133	\$ (21,189)
Other Local Revenues	78,703	45,200	45,200	33,503
Other Governments and Citizens Groups	1,200,631	0	1,200,631	0
Total Revenues	\$ 2,101,278	\$ 888,333	\$ 2,088,964	\$ 12,314
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 415,997	\$ 645,919	\$ 415,997	\$ 0
Highways and Streets	267,795	0	267,795	0
Education	786,630	750,000	686,630	(100,000)
<u>Interest on Debt</u>				
General Government	39,108	48,521	30,747	(8,361)
Highways and Streets	22,912	0	22,912	0
Education	345,165	446,100	440,634	95,469
<u>Other Debt Service</u>				
General Government	17,588	1,060	26,415	8,827
Highways and Streets	414	0	414	0
Education	56	0	56	0
Total Expenditures	\$ 1,895,665	\$ 1,891,600	\$ 1,891,600	\$ (4,065)
Excess (Deficiency) of Revenues Over Expenditures	\$ 205,613	\$ (1,003,267)	\$ 197,364	\$ 8,249
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 1,596,100	\$ 0	\$ 0
Transfers Out	0	(500,000)	0	0
Total Other Financing Sources	\$ 0	\$ 1,096,100	\$ 0	\$ 0
Net Change in Fund Balance	\$ 205,613	\$ 92,833	\$ 197,364	\$ 8,249
Fund Balance, July 1, 2017	3,847,355	3,858,839	3,858,839	(11,484)
Fund Balance, June 30, 2018	\$ 4,052,968	\$ 3,951,672	\$ 4,056,203	\$ (3,235)

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

McNairy County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu - tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 760,439	\$ 760,439
Accounts Receivable	0	863	863
Due from Other Governments	327,660	0	327,660
Cash Shortage	0	6,341	6,341
Total Assets	<u>\$ 327,660</u>	<u>\$ 767,643</u>	<u>\$ 1,095,303</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 327,660	\$ 0	\$ 327,660
Due to Litigants, Heirs, and Others	0	767,643	767,643
Total Liabilities	<u>\$ 327,660</u>	<u>\$ 767,643</u>	<u>\$ 1,095,303</u>

Exhibit H-2

McNairy County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,782,942	\$ 1,782,942	\$ 0
Due from Other Governments	311,566	327,660	311,566	327,660
Total Assets	\$ 311,566	\$ 2,110,602	\$ 2,094,508	\$ 327,660
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 311,566	\$ 2,110,602	\$ 2,094,508	\$ 327,660
Total Liabilities	\$ 311,566	\$ 2,110,602	\$ 2,094,508	\$ 327,660
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 624,253	\$ 4,556,266	\$ 4,420,080	\$ 760,439
Accounts Receivable	315	863	315	863
Cash Shortage	6,441	0	100	6,341
Total Assets	\$ 631,009	\$ 4,557,129	\$ 4,420,495	\$ 767,643
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 631,009	\$ 4,557,129	\$ 4,420,495	\$ 767,643
Total Liabilities	\$ 631,009	\$ 4,557,129	\$ 4,420,495	\$ 767,643
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 624,253	\$ 4,556,266	\$ 4,420,080	\$ 760,439
Equity in Pooled Cash and Investments	0	1,782,942	1,782,942	0
Accounts Receivable	315	863	315	863
Due from Other Governments	311,566	327,660	311,566	327,660
Cash Shortage	6,441	0	100	6,341
Total Assets	\$ 942,575	\$ 6,667,731	\$ 6,515,003	\$ 1,095,303
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 311,566	\$ 2,110,602	\$ 2,094,508	\$ 327,660
Due to Litigants, Heirs, and Others	631,009	4,557,129	4,420,495	767,643
Total Liabilities	\$ 942,575	\$ 6,667,731	\$ 6,515,003	\$ 1,095,303

McNairy County School Department

This section presents combining and individual fund financial statements for the McNairy County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, and one Capital Projects Fund.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit I-1

McNairy County, Tennessee
Statement of Activities
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 25,284,475	\$ 234,578	\$ 2,117,406	\$ 124,906	\$ (22,807,585)
Support Services	8,919,464	69,142	342,423	0	(8,507,899)
Operation of Non-instructional Services	3,653,354	12,364	2,336,310	0	(1,304,680)
Total Governmental Activities	\$ 37,857,293	\$ 316,084	\$ 4,796,139	\$ 124,906	\$ (32,620,164)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 4,010,772
Local Option Sales Taxes					2,037,155
Grants and Contributions Not Restricted to Specific Programs					26,602,980
Unrestricted Investment Earnings					9,653
Miscellaneous					121,438
Total General Revenues					\$ 32,781,998
Change in Net Position					\$ 161,834
Net Position, July 1, 2017					20,315,633
Restatement - See Note I.D.9.					(18,314,535)
Net Position, June 30, 2018					\$ 2,162,932

Exhibit I-2

McNairy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented McNairy County School Department
June 30, 2018

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,397,116	\$ 2,544,640	\$ 1,115,988	\$ 6,057,744
Accounts Receivable	875	0	0	875
Due from Other Governments	985,245	0	313,164	1,298,409
Property Taxes Receivable	4,251,177	0	0	4,251,177
Allowance for Uncollectible Property Taxes	(255,897)	0	0	(255,897)
Total Assets	\$ 7,378,516	\$ 2,544,640	\$ 1,429,152	\$ 11,352,308
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 0	\$ 0	\$ 12,477	\$ 12,477
Cash Overdraft	0	0	162,117	162,117
Total Liabilities	\$ 0	\$ 0	\$ 174,594	\$ 174,594
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 3,818,124	\$ 0	\$ 0	\$ 3,818,124
Deferred Delinquent Property Taxes	181,706	0	0	181,706
Other Deferred/Unavailable Revenue	185,390	0	0	185,390
Total Deferred Inflows of Resources	\$ 4,185,220	\$ 0	\$ 0	\$ 4,185,220
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 54,904	\$ 0	\$ 116,047	\$ 170,951
Restricted for Operation of Non-instructional Services	0	0	1,103,511	1,103,511

(Continued)

Exhibit I-2

McNairy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented McNairy County School Department (Cont.)

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>FUND BALANCES (Cont.)</u>				
Restricted (Cont.):				
Restricted for Capital Outlay	\$ 0	\$ 2,544,640	\$ 0	\$ 2,544,640
Assigned:				
Assigned for Education	0	0	35,000	35,000
Unassigned	3,138,392	0	0	3,138,392
Total Fund Balances	<u>\$ 3,193,296</u>	<u>\$ 2,544,640</u>	<u>\$ 1,254,558</u>	<u>\$ 6,992,494</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,378,516</u>	<u>\$ 2,544,640</u>	<u>\$ 1,429,152</u>	<u>\$ 11,352,308</u>

Exhibit I-3

McNairy County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Discretely Presented McNairy County School Department
June 30, 2018

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	6,992,494
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,291,479	
Add: construction in progress		1,700,516	
Add: buildings and improvements net of accumulated depreciation		9,642,531	
Add: other capital assets net of accumulated depreciation		<u>2,198,243</u>	14,832,769
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: net OPEB liability			(19,694,256)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.			
Add: deferred outflows of resources related to pensions	\$	3,489,917	
Less: deferred inflows of resources related to pensions		(3,266,952)	
Add: deferred outflows of resources related to OPEB		420,570	
Less: deferred inflows of resources related to OPEB		<u>(1,713,287)</u>	(1,069,752)
(4) Net pension assets are not current financial resources and therefore are not reported in governmental funds.			
Add: net pension asset - agent plan	\$	514,874	
Add: net pension asset - teacher retirement plan		74,880	
Add: net pension asset - teacher legacy pension plan		<u>144,827</u>	734,581
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>367,096</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>2,162,932</u></u>

Exhibit I-4

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 6,014,867	\$ 0	\$ 0	\$ 6,014,867
Licenses and Permits	1,948	0	0	1,948
Charges for Current Services	60,050	0	213,994	274,044
Other Local Revenues	152,646	9,653	35,779	198,078
State of Tennessee	26,073,634	0	23,284	26,096,918
Federal Government	32,032	0	5,419,581	5,451,613
Total Revenues	<u>\$ 32,335,177</u>	<u>\$ 9,653</u>	<u>\$ 5,692,638</u>	<u>\$ 38,037,468</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 21,272,822	\$ 0	\$ 1,806,288	\$ 23,079,110
Support Services	8,814,235	0	563,772	9,378,007
Operation of Non-Instructional Services	611,786	0	3,097,444	3,709,230
Capital Outlay	17,529	1,542,783	0	1,560,312
Debt Service:				
Other Debt Service	1,200,631	0	0	1,200,631
Total Expenditures	<u>\$ 31,917,003</u>	<u>\$ 1,542,783</u>	<u>\$ 5,467,504</u>	<u>\$ 38,927,290</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 418,174</u>	<u>\$ (1,533,130)</u>	<u>\$ 225,134</u>	<u>\$ (889,822)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 90,932	\$ 0	\$ 0	\$ 90,932
Transfers In	37,006	0	0	37,006
Transfers Out	0	0	(37,006)	(37,006)
Total Other Financing Sources (Uses)	<u>\$ 127,938</u>	<u>\$ 0</u>	<u>\$ (37,006)</u>	<u>\$ 90,932</u>

(Continued)

Exhibit I-4

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented McNairy County School Department (Cont.)

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
Net Change in Fund Balances	\$ 546,112	\$ (1,533,130)	\$ 188,128	\$ (798,890)
Fund Balance, July 1, 2017	2,647,184	4,077,770	1,066,430	7,791,384
Fund Balance, June 30, 2018	\$ 3,193,296	\$ 2,544,640	\$ 1,254,558	\$ 6,992,494

Exhibit I-5

McNairy County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (798,890)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,866,095	
Less: current-year depreciation expense	<u>(909,484)</u>	956,611
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$ 367,096	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(385,437)</u>	(18,341)
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in net OPEB liability (net of restatement)	\$ 86,526	
Change in deferred outflows related to OPEB (net of restatement)	39,013	
Change in deferred inflows related to OPEB	(1,713,287)	
Change in net pension asset - agent plan	122,868	
Change in net pension asset - teacher retirement plan	51,291	
Change in net pension asset - teacher legacy pension plan	2,939,063	
Change in deferred outflows related to pensions	(1,944,608)	
Change in deferred inflows related to pensions	<u>441,588</u>	<u>22,454</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 161,834</u>

Exhibit I-6

McNairy County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented McNairy County School Department
June 30, 2018

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 0	\$ 1,115,988	\$ 1,115,988
Due from Other Governments	313,164	0	313,164
Total Assets	<u>\$ 313,164</u>	<u>\$ 1,115,988</u>	<u>\$ 1,429,152</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 0	\$ 12,477	\$ 12,477
Cash Overdraft	162,117	0	162,117
Total Liabilities	<u>\$ 162,117</u>	<u>\$ 12,477</u>	<u>\$ 174,594</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 116,047	\$ 0	\$ 116,047
Restricted for Operation of Non-instructional Services	0	1,103,511	1,103,511
Assigned:			
Assigned for Education	35,000	0	35,000
Total Fund Balances	<u>\$ 151,047</u>	<u>\$ 1,103,511</u>	<u>\$ 1,254,558</u>
Total Liabilities and Fund Balances	<u>\$ 313,164</u>	<u>\$ 1,115,988</u>	<u>\$ 1,429,152</u>

Exhibit I-7

McNairy County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 213,994	\$ 213,994
Other Local Revenues	0	35,779	35,779
State of Tennessee	0	23,284	23,284
Federal Government	3,085,197	2,334,384	5,419,581
Total Revenues	<u>\$ 3,085,197</u>	<u>\$ 2,607,441</u>	<u>\$ 5,692,638</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,806,288	\$ 0	\$ 1,806,288
Support Services	563,772	0	563,772
Operation of Non-Instructional Services	656,773	2,440,671	3,097,444
Total Expenditures	<u>\$ 3,026,833</u>	<u>\$ 2,440,671</u>	<u>\$ 5,467,504</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 58,364</u>	<u>\$ 166,770</u>	<u>\$ 225,134</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (37,006)	\$ 0	\$ (37,006)
Total Other Financing Sources (Uses)	<u>\$ (37,006)</u>	<u>\$ 0</u>	<u>\$ (37,006)</u>
Net Change in Fund Balances	\$ 21,358	\$ 166,770	\$ 188,128
Fund Balance, July 1, 2017	129,689	936,741	1,066,430
Fund Balance, June 30, 2018	<u>\$ 151,047</u>	<u>\$ 1,103,511</u>	<u>\$ 1,254,558</u>

Exhibit I-8

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented McNairy County School Department
General Purpose School Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,014,867	\$ 5,791,000	\$ 5,791,000	\$ 223,867
Licenses and Permits	1,948	2,000	2,000	(52)
Charges for Current Services	60,050	33,000	33,000	27,050
Other Local Revenues	152,646	52,500	52,500	100,146
State of Tennessee	26,073,634	25,657,477	25,814,288	259,346
Federal Government	32,032	0	0	32,032
Total Revenues	<u>\$ 32,335,177</u>	<u>\$ 31,535,977</u>	<u>\$ 31,692,788</u>	<u>\$ 642,389</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 18,042,021	\$ 17,688,861	\$ 17,699,009	\$ (343,012)
Special Education Program	2,109,212	2,114,789	2,114,789	5,577
Career and Technical Education Program	1,091,430	965,700	965,700	(125,730)
Adult Education Program	30,159	31,700	31,700	1,541
<u>Support Services</u>				
Attendance	82,112	81,022	81,022	(1,090)
Health Services	310,255	290,236	290,236	(20,019)
Other Student Support	561,171	553,000	553,000	(8,171)
Regular Instruction Program	671,083	738,260	738,712	67,629
Special Education Program	322,871	236,335	236,335	(86,536)
Career and Technical Education Program	41,072	43,230	43,230	2,158
Technology	419,706	405,346	405,346	(14,360)
Other Programs	146,211	0	146,211	0
Board of Education	456,043	487,725	487,725	31,682
Director of Schools	187,634	178,238	178,238	(9,396)
Office of the Principal	1,128,888	1,092,180	1,092,180	(36,708)
Fiscal Services	148,439	151,400	151,400	2,961
Operation of Plant	2,100,934	2,096,400	2,096,400	(4,534)
Maintenance of Plant	667,607	591,490	591,490	(76,117)
Transportation	1,570,209	1,806,069	1,806,069	235,860
Central and Other	0	96,900	96,900	96,900
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	611,786	713,398	713,398	101,612
<u>Capital Outlay</u>				
Regular Capital Outlay	17,529	0	0	(17,529)
<u>Other Debt Service</u>				
Education	1,200,631	0	1,066,354	(134,277)
Total Expenditures	<u>\$ 31,917,003</u>	<u>\$ 30,362,279</u>	<u>\$ 31,585,444</u>	<u>\$ (331,559)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 418,174</u>	<u>\$ 1,173,698</u>	<u>\$ 107,344</u>	<u>\$ 310,830</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 90,932	\$ 0	\$ 0	\$ 90,932
Transfers In	37,006	0	0	37,006
Transfers Out	0	(1,066,354)	0	0
Total Other Financing Sources	<u>\$ 127,938</u>	<u>\$ (1,066,354)</u>	<u>\$ 0</u>	<u>\$ 127,938</u>

(Continued)

Exhibit I-8

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented McNairy County School Department
General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ 546,112	\$ 107,344	\$ 107,344	\$ 438,768
Fund Balance, July 1, 2017	2,647,184	1,682,594	1,682,594	964,590
Fund Balance, June 30, 2018	\$ 3,193,296	\$ 1,789,938	\$ 1,789,938	\$ 1,403,358

Exhibit I-9

McNairy County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 Discretely Presented McNairy County School Department
 School Federal Projects Fund
 For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 0	\$ 204,011	\$ 0	\$ 0
Federal Government	3,085,197	3,023,954	3,217,365	(132,168)
Total Revenues	\$ 3,085,197	\$ 3,227,965	\$ 3,217,365	\$ (132,168)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,124,289	\$ 975,507	\$ 1,193,503	\$ 69,214
Special Education Program	624,983	637,882	663,404	38,421
Career and Technical Education Program	57,016	51,254	57,016	0
<u>Support Services</u>				
Other Student Support	68,721	68,852	79,007	10,286
Regular Instruction Program	261,317	219,942	273,197	11,880
Special Education Program	152,326	134,063	155,676	3,350
Career and Technical Education Program	659	2,500	659	0
Board of Education	58	0	58	0
Transportation	80,691	85,094	87,840	7,149
<u>Operation of Non-Instructional Services</u>				
Community Services	656,773	474,655	669,920	13,147
Total Expenditures	\$ 3,026,833	\$ 2,649,749	\$ 3,180,280	\$ 153,447
Excess (Deficiency) of Revenues Over Expenditures	\$ 58,364	\$ 578,216	\$ 37,085	\$ 21,279
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (37,006)	\$ (37,085)	\$ (37,085)	\$ 79
Total Other Financing Sources	\$ (37,006)	\$ (37,085)	\$ (37,085)	\$ 79
Net Change in Fund Balance	\$ 21,358	\$ 541,131	\$ 0	\$ 21,358
Fund Balance, July 1, 2017	129,689	0	0	129,689
Fund Balance, June 30, 2018	\$ 151,047	\$ 541,131	\$ 0	\$ 151,047

Exhibit I-10

McNairy County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 Discretely Presented McNairy County School Department
 Central Cafeteria Fund
 For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 213,994	\$ 294,000	\$ 294,000	\$ (80,006)
Other Local Revenues	35,779	27,000	27,000	8,779
State of Tennessee	23,284	22,000	22,000	1,284
Federal Government	2,334,384	2,250,000	2,250,000	84,384
Total Revenues	<u>\$ 2,607,441</u>	<u>\$ 2,593,000</u>	<u>\$ 2,593,000</u>	<u>\$ 14,441</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,440,671	\$ 2,593,000	\$ 2,593,000	\$ 152,329
Total Expenditures	<u>\$ 2,440,671</u>	<u>\$ 2,593,000</u>	<u>\$ 2,593,000</u>	<u>\$ 152,329</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 166,770</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 166,770</u>
Net Change in Fund Balance	\$ 166,770	\$ 0	\$ 0	\$ 166,770
Fund Balance, July 1, 2017	<u>936,741</u>	<u>979,260</u>	<u>979,260</u>	<u>(42,519)</u>
Fund Balance, June 30, 2018	<u><u>\$ 1,103,511</u></u>	<u><u>\$ 979,260</u></u>	<u><u>\$ 979,260</u></u>	<u><u>\$ 124,251</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

McNairy County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
911 Building and Storage	\$ 55,000	3.25 %	4-13-12	4-13-21	\$ 24,445	\$ 0	\$ 6,111	\$ 18,334
Latta Building/Welcome Center	201,560	2.75	11-9-12	11-9-21	111,961	0	22,400	89,561
County Office Building	1,500,000	0	1-27-15	3-1-27	1,250,000	0	125,000	1,125,000
County Building Renovations and Repairs	340,000	3.08	4-13-17	4-13-26	340,000	0	37,778	302,222
Jail Expansion	1,250,000	3.67	4-20-18	6-1-30	0	1,250,000	0	1,250,000
Total Notes Payable					<u>\$ 1,726,406</u>	<u>\$ 1,250,000</u>	<u>\$ 191,289</u>	<u>\$ 2,785,117</u>
CAPITAL LEASES								
<u>Payable through General Fund</u>								
Sheriff's Department Cars	167,982	4.75	10-6-17	11-10-19	\$ 0	\$ 167,982	\$ 59,190	\$ 108,792
Clean Energy Lighting Project	176,382	4.746	12-1-17	6-1-20	0	176,382	58,848	117,534
Sheriff's Department Car	28,002	4.75	12-28-17	1-10-20	0	28,002	9,867	18,135
Total Payable through General Fund					<u>\$ 0</u>	<u>\$ 372,366</u>	<u>\$ 127,905</u>	<u>\$ 244,461</u>
<u>Payable through Drug Control Fund</u>								
Sheriff's Department Truck	30,421	5.25	9-17-14	12-1-17	\$ 1,782	\$ 0	\$ 1,782	\$ 0
Sheriff's Department Truck	30,622	5.25	9-17-14	11-1-17	1,794	0	1,794	0
Total Payable through Drug Control Fund					<u>\$ 3,576</u>	<u>\$ 0</u>	<u>\$ 3,576</u>	<u>\$ 0</u>
Total Capital Leases					<u>\$ 3,576</u>	<u>\$ 372,366</u>	<u>\$ 131,481</u>	<u>\$ 244,461</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	\$ 74,377	\$ 0	\$ 13,478	\$ 60,899
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	109,899	0	20,655	89,244
Refunding Bonds, Series 2008	6,535,000	3.5 to 4.5	12-10-08	6-1-19	985,000	0	495,000	490,000
General Obligation School Bonds, Series 2017	7,750,000	2 to 3.5	6-9-17	6-1-46	7,750,000	0	750,000	7,000,000
General Obligation School Bonds, Series 2018	15,475,000	3 to 5	3-1-18	6-1-47	0	15,475,000	0	15,475,000
Total Bonds Payable					<u>\$ 8,919,276</u>	<u>\$ 15,475,000</u>	<u>\$ 1,279,133</u>	<u>\$ 23,115,143</u>

Exhibit J-2

McNairy County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 296,289	\$ 63,468	\$ 359,757
2020	296,289	52,411	348,700
2021	296,290	46,581	342,871
2022	290,139	40,749	330,888
2023	267,778	35,115	302,893
2024	267,778	30,098	297,876
2025	267,777	25,081	292,858
2026	267,777	20,064	287,841
2027	230,000	15,047	245,047
2028	105,000	11,194	116,194
2029	100,000	7,340	107,340
2030	100,000	3,670	103,670
Total	\$ 2,785,117	\$ 350,818	\$ 3,135,935

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2019	\$ 118,717	\$ 14,090	\$ 132,807
2020	125,744	7,064	132,808
Total	\$ 244,461	\$ 21,154	\$ 265,615

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 1,024,956	\$ 763,580	\$ 1,788,536
2020	437,027	730,195	1,167,222
2021	648,789	720,432	1,369,221
2022	569,371	697,451	1,266,822
2023	545,000	672,782	1,217,782
2024	570,000	650,633	1,220,633
2025	595,000	626,508	1,221,508
2026	1,990,000	609,557	2,599,557
2027	190,000	537,588	727,588
2028	190,000	533,407	723,407
2029	195,000	529,037	724,037
2030	695,000	524,552	1,219,552
2031	715,000	504,602	1,219,602
2032	735,000	484,075	1,219,075
2033	760,000	462,865	1,222,865
2034	785,000	440,065	1,225,065
2035	805,000	415,814	1,220,814
2036	835,000	390,946	1,225,946
2037	860,000	364,793	1,224,793
2038	885,000	337,087	1,222,087
2039	915,000	307,700	1,222,700
2040	945,000	277,313	1,222,313
2041	975,000	245,419	1,220,419
2042	1,005,000	212,512	1,217,512

(Continued)

Exhibit J-2

McNairy County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2043	\$ 1,045,000	\$ 178,594	\$ 1,223,594
2044	1,080,000	142,950	1,222,950
2045	1,115,000	106,113	1,221,113
2046	1,155,000	68,082	1,223,082
2047	850,000	28,688	878,688
Total	\$ 23,115,143	\$ 12,563,340	\$ 35,678,483

Exhibit J-3

McNairy County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>DISCRETELY PRESENTED MCNAIRY</u>			
<u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ <u>37,006</u>
Total Transfers Discretely Presented McNairy County School Department			\$ <u><u>37,006</u></u>

Exhibit J-4

McNairy County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 83,946	\$ 100,000	Ohio Casualty Insurance Company
Highway Commissioner	Section 8-24-102, <i>TCA</i>	79,950	100,000	Western Surety Company
Director of Schools:				
Wayne Henry (7-1-17 through 5-20-18)	State Board of Education and County Board of Education	90,197	400,000	Tennessee Risk Management Trust
Greg Martin (5-21-18 through 6-30-18)	State Board of Education and County Board of Education	11,795	400,000	"
Trustee	Section 8-24-102, <i>TCA</i>	72,682	1,014,057	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	79,950 (1)	100,000	Western Surety Company
Employee Dishonesty Coverage:				
County Employees			400,000	Local Government Property and Casualty Fund
Office of Director of Schools' Employees			400,000	Tennessee Risk Management Trust

(1) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2018

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,506,863	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	99,811	0	0	0	0
Circuit Clerk/Clerk and Master Collections - Prior Years	102,006	0	0	0	0
Interest and Penalty	21,882	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	2,506	0	0	0	0
Payments in-Lieu-of Taxes - Other	775	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	250,929	0	0	0	0
Litigation Tax - General	97,724	0	0	0	0
Litigation Tax - Special Purpose	0	2,176	0	0	0
Business Tax	15,886	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	15,897	0	0	0	0
Wholesale Beer Tax	20,117	0	0	0	0
Coal Severance Tax	0	0	0	0	0
Interstate Telecommunications Tax	30,916	0	0	0	0
<u>City Local Option Taxes</u>					
Business Tax	152,114	0	0	0	0
Total Local Taxes	<u>\$ 4,317,426</u>	<u>\$ 2,176</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 15,814	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Licenses and Permits (Cont.)</u>					
<u>Permits</u>					
Beer Permits	\$ 712	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 16,526	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 640	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	5,705	0	0	0	0
Game and Fish Fines	657	0	0	0	0
Drug Control Fines	0	0	0	0	10,700
Drug Court Fees	1,839	0	0	0	0
Jail Fees	967	0	0	0	0
Data Entry Fee - Circuit Court	810	0	0	0	0
Victims Assistance Assessments	3,609	0	0	0	0
<u>Criminal Court</u>					
DUI Treatment Fines	955	0	0	0	0
<u>General Sessions Court</u>					
Fines	14,232	0	0	0	0
Officers Costs	15,011	0	0	0	0
Game and Fish Fines	238	0	0	0	0
Drug Control Fines	0	0	0	0	13,222
Drug Court Fees	7,193	0	0	0	0
Jail Fees	20,518	0	0	0	0
DUI Treatment Fines	3,104	0	0	0	0
Data Entry Fee - General Sessions Court	9,869	0	0	0	0
Courtroom Security Fee	55	0	0	0	0
Victims Assistance Assessments	12,800	0	0	0	0

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court</u>					
Fines	\$ 1,102	\$ 0	\$ 0	\$ 0	\$ 0
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	9,491	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 108,795	\$ 0	\$ 0	\$ 0	\$ 23,922
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 764,606	\$ 0	\$ 0
Tipping Fees	0	0	5,060	0	0
<u>Fees</u>					
Copy Fees	50	0	0	0	0
Library Fees	6,342	1,332	0	0	0
Telephone Commissions	13,421	0	0	0	0
Data Processing Fee - Register	7,904	0	0	0	0
Data Processing Fee - Sheriff	1,948	0	0	0	0
Sexual Offender Registration Fee - Sheriff	4,350	0	0	0	0
Data Processing Fee - County Clerk	5,832	0	0	0	0
Vehicle Insurance Coverage and Reinstatement Fees	65	0	0	0	0
Total Charges for Current Services	\$ 39,912	\$ 1,332	\$ 769,666	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	0	0	0	115,175	0
Sale of Materials and Supplies	0	0	62,914	0	0

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Sale of Gasoline	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Refunds	12,188	0	2,395	0	0
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	0
Contributions and Gifts	13,500	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	9,798	0	0	0	52,796
Total Other Local Revenues	\$ 35,486	\$ 0	\$ 65,309	\$ 115,175	\$ 52,796
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 200,787	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	38,600	0	0	0	0
General Sessions Court Clerk	158,511	0	0	0	0
Clerk and Master	90,415	0	0	0	0
Register	87,986	0	0	0	0
Sheriff	3,005	0	0	0	0
Trustee	283,913	0	0	0	0
Total Fees Received From County Officials	\$ 863,217	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	0	5,740	0	0
Other General Government Grants	6,344	0	0	0	0

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>Health and Welfare Grants</u>					
Health Department Programs	\$ 133,010	\$ 0	\$ 0	\$ 0	\$ 0
<u>Public Works Grants</u>					
Litter Program	0	0	43,486	0	0
<u>Other State Revenues</u>					
Income Tax	17,381	0	0	0	0
Beer Tax	17,839	0	0	0	0
Vehicle Certificate of Title Fees	3,250	0	0	0	0
Alcoholic Beverage Tax	71,946	0	0	0	0
State Revenue Sharing - T.V.A.	0	0	256,239	0	0
State Revenue Sharing - Telecommunications	8,163	0	0	0	0
Contracted Prisoner Boarding	280,680	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Other State Grants	187,067	0	0	0	0
Other State Revenues	300,441	0	13,866	0	0
Total State of Tennessee	\$ 1,030,621	\$ 0	\$ 319,331	\$ 0	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 537,992	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	31,671	0	0	0	0
Total Federal Government	\$ 569,663	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	0	0	0	0	0
<u>Citizens Groups</u>					
Donations	0	0	4,184	0	0
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 4,184	\$ 0	\$ 0
Total	\$ 6,981,646	\$ 3,508	\$ 1,158,490	\$ 115,175	\$ 76,718

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	Education Capital Projects	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 337,849	\$ 750,371	\$ 0	\$ 4,595,083
Trustee's Collections - Prior Year	10,589	25,980	0	136,380
Circuit Clerk/Clerk and Master Collections - Prior Years	12,406	37,219	0	151,631
Interest and Penalty	2,177	5,400	0	29,459
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	2,506
Payments in-Lieu-of Taxes - Other	0	0	0	775
<u>County Local Option Taxes</u>				
Local Option Sales Tax	0	0	0	250,929
Litigation Tax - General	0	0	0	97,724
Litigation Tax - Special Purpose	0	0	0	2,176
Business Tax	0	0	0	15,886
Mineral Severance Tax	4,898	0	0	4,898
<u>Statutory Local Taxes</u>				
Bank Excise Tax	2,181	2,974	0	21,052
Wholesale Beer Tax	0	0	0	20,117
Coal Severance Tax	1,476	0	0	1,476
Interstate Telecommunications Tax	0	0	0	30,916
<u>City Local Option Taxes</u>				
Business Tax	0	0	0	152,114
Total Local Taxes	<u>\$ 371,576</u>	<u>\$ 821,944</u>	<u>\$ 0</u>	<u>\$ 5,513,122</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 15,814

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	Education Capital Projects	
<u>Licenses and Permits (Cont.)</u>				
<u>Permits</u>				
Beer Permits	\$ 0	\$ 0	\$ 0	\$ 712
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 16,526
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 0	\$ 0	\$ 0	\$ 640
Officers Costs	0	0	0	5,705
Game and Fish Fines	0	0	0	657
Drug Control Fines	0	0	0	10,700
Drug Court Fees	0	0	0	1,839
Jail Fees	0	0	0	967
Data Entry Fee - Circuit Court	0	0	0	810
Victims Assistance Assessments	0	0	0	3,609
<u>Criminal Court</u>				
DUI Treatment Fines	0	0	0	955
<u>General Sessions Court</u>				
Fines	0	0	0	14,232
Officers Costs	0	0	0	15,011
Game and Fish Fines	0	0	0	238
Drug Control Fines	0	0	0	13,222
Drug Court Fees	0	0	0	7,193
Jail Fees	0	0	0	20,518
DUI Treatment Fines	0	0	0	3,104
Data Entry Fee - General Sessions Court	0	0	0	9,869
Courtroom Security Fee	0	0	0	55
Victims Assistance Assessments	0	0	0	12,800

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	Education Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>				
<u>Juvenile Court</u>				
Fines	\$ 0	\$ 0	\$ 0	\$ 1,102
<u>Chancery Court</u>				
Data Entry Fee - Chancery Court	0	0	0	9,491
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 132,717</u>
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 0	764,606
Tipping Fees	0	0	0	5,060
<u>Fees</u>				
Copy Fees	0	0	0	50
Library Fees	0	0	0	7,674
Telephone Commissions	0	0	0	13,421
Data Processing Fee - Register	0	0	0	7,904
Data Processing Fee - Sheriff	0	0	0	1,948
Sexual Offender Registration Fee - Sheriff	0	0	0	4,350
Data Processing Fee - County Clerk	0	0	0	5,832
Vehicle Insurance Coverage and Reinstatement Fees	0	0	0	65
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 810,910</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 53,504	\$ 50,914	\$ 104,418
Lease/Rentals	0	23,100	0	138,275
Sale of Materials and Supplies	1,163	0	0	64,077

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
	Highway / Public Works	General Debt Service	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>				
<u>Recurring Items (Cont.)</u>				
Sale of Gasoline	\$ 8,386	\$ 0	\$ 0	\$ 8,386
Miscellaneous Refunds	3,870	2,099	0	20,552
<u>Nonrecurring Items</u>				
Sale of Equipment	41,325	0	0	41,325
Contributions and Gifts	0	0	0	13,500
<u>Other Local Revenues</u>				
Other Local Revenues	0	0	0	62,594
Total Other Local Revenues	<u>\$ 54,744</u>	<u>\$ 78,703</u>	<u>\$ 50,914</u>	<u>\$ 453,127</u>
<u>Fees Received From County Officials</u>				
<u>Fees In-Lieu-of Salary</u>				
County Clerk	\$ 0	\$ 0	\$ 0	200,787
Circuit Court Clerk	0	0	0	38,600
General Sessions Court Clerk	0	0	0	158,511
Clerk and Master	0	0	0	90,415
Register	0	0	0	87,986
Sheriff	0	0	0	3,005
Trustee	0	0	0	283,913
Total Fees Received From County Officials	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 863,217</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$ 0	\$ 0	\$ 0	4,500
Solid Waste Grants	0	0	0	5,740
Other General Government Grants	0	0	0	6,344

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	Education Capital Projects	
<u>State of Tennessee (Cont.)</u>				
<u>Health and Welfare Grants</u>				
Health Department Programs	\$ 0	\$ 0	\$ 0	\$ 133,010
<u>Public Works Grants</u>				
Litter Program	0	0	0	43,486
<u>Other State Revenues</u>				
Income Tax	0	0	0	17,381
Beer Tax	0	0	0	17,839
Vehicle Certificate of Title Fees	0	0	0	3,250
Alcoholic Beverage Tax	0	0	0	71,946
State Revenue Sharing - T.V.A.	0	0	0	256,239
State Revenue Sharing - Telecommunications	0	0	0	8,163
Contracted Prisoner Boarding	0	0	0	280,680
Gasoline and Motor Fuel Tax	2,241,331	0	0	2,241,331
Petroleum Special Tax	18,814	0	0	18,814
Other State Grants	0	0	0	187,067
Other State Revenues	0	0	0	314,307
Total State of Tennessee	\$ 2,260,145	\$ 0	\$ 0	\$ 3,610,097
<u>Federal Government</u>				
<u>Federal Through State</u>				
Community Development	\$ 0	\$ 0	\$ 0	\$ 537,992
Civil Defense Reimbursement	0	0	0	31,671
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 569,663

(Continued)

Exhibit J-5

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	Education Capital Projects	
<hr/>				
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Paving and Maintenance	\$ 43,403	\$ 0	\$ 0	\$ 43,403
Contributions	0	1,200,631	0	1,200,631
<u>Citizens Groups</u>				
Donations	0	0	0	4,184
Total Other Governments and Citizens Groups	<u>\$ 43,403</u>	<u>\$ 1,200,631</u>	<u>\$ 0</u>	<u>\$ 1,248,218</u>
Total	<u>\$ 2,729,868</u>	<u>\$ 2,101,278</u>	<u>\$ 50,914</u>	<u>\$ 13,217,597</u>

Exhibit J-6

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

	General Purpose School	Special Revenue Funds School Federal Projects	Central Cafeteria	Capital Projects Fund Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,665,088	\$ 0	\$ 0	\$ 0	\$ 3,665,088
Trustee's Collections - Prior Year	124,770	0	0	0	124,770
Circuit Clerk/Clerk and Master Collections - Prior Years	143,852	0	0	0	143,852
Interest and Penalty	25,418	0	0	0	25,418
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,030,562	0	0	0	2,030,562
<u>Statutory Local Taxes</u>					
Bank Excise Tax	25,177	0	0	0	25,177
Total Local Taxes	\$ 6,014,867	\$ 0	\$ 0	\$ 0	\$ 6,014,867
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,948	\$ 0	\$ 0	\$ 0	\$ 1,948
Total Licenses and Permits	\$ 1,948	\$ 0	\$ 0	\$ 0	\$ 1,948
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Other	\$ 32,948	\$ 0	\$ 0	\$ 0	\$ 32,948
Lunch Payments - Adults	0	0	41,238	0	41,238
A la Carte Sales	0	0	160,392	0	160,392
Receipts from Individual Schools	27,102	0	0	0	27,102
Other Charges for Services	0	0	12,364	0	12,364
Total Charges for Current Services	\$ 60,050	\$ 0	\$ 213,994	\$ 0	\$ 274,044

(Continued)

Exhibit J-6

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

	General Purpose School	Special Revenue Funds School Federal Projects	Central Cafeteria	Capital Projects Fund Education Capital Projects	Total
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 9,317	\$ 9,653	\$ 18,970
Lease/Rentals	42,040	0	0	0	42,040
Miscellaneous Refunds	1,421	0	26,462	0	27,883
<u>Nonrecurring Items</u>					
Contributions and Gifts	15,630	0	0	0	15,630
<u>Other Local Revenues</u>					
Other Local Revenues	93,555	0	0	0	93,555
Total Other Local Revenues	\$ 152,646	\$ 0	\$ 35,779	\$ 9,653	\$ 198,078
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 146,211	\$ 0	\$ 0	\$ 0	\$ 146,211
<u>State Education Funds</u>					
Basic Education Program	23,949,000	0	0	0	23,949,000
Basic Education Program - IEA	373,837	0	0	0	373,837
Early Childhood Education	611,841	0	0	0	611,841
School Food Service	0	0	23,284	0	23,284
Other State Education Funds	166,014	0	0	0	166,014
Career Ladder Program	116,045	0	0	0	116,045
Vocational Equipment	124,906	0	0	0	124,906
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	476,133	0	0	0	476,133
State Revenue Sharing - Telecommunications	3,400	0	0	0	3,400
Other State Revenues	106,247	0	0	0	106,247
Total State of Tennessee	\$ 26,073,634	\$ 0	\$ 23,284	\$ 0	\$ 26,096,918

(Continued)

Exhibit J-6

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Projects Fund Education Capital Projects</u>	
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,327,435	\$ 0	\$ 1,327,435
USDA - Commodities	0	0	191,760	0	191,760
Breakfast	0	0	706,957	0	706,957
USDA - Other	0	0	77,557	0	77,557
USDA Food Service Equipment Grant	0	0	30,675	0	30,675
Vocational Education - Basic Grants to States	0	70,544	0	0	70,544
Title I Grants to Local Education Agencies	0	1,146,014	0	0	1,146,014
Special Education - Grants to States	9,918	874,845	0	0	884,763
Special Education Preschool Grants	22,114	43,467	0	0	65,581
Rural Education	0	74,691	0	0	74,691
Eisenhower Professional Development State Grants	0	149,405	0	0	149,405
Other Federal through State	0	726,231	0	0	726,231
Total Federal Government	\$ 32,032	\$ 3,085,197	\$ 2,334,384	\$ 0	\$ 5,451,613
Total	\$ 32,335,177	\$ 3,085,197	\$ 2,607,441	\$ 9,653	\$ 38,037,468

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2018

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	4,830	
Accounting Services		7,286	
Audit Services		9,387	
Dues and Memberships		3,090	
Legal Services		9,152	
Periodicals		1,344	
Total County Commission			\$ 35,089

Board of Equalization

Board and Committee Members Fees	\$	1,750	
Total Board of Equalization			1,750

Beer Board

Board and Committee Members Fees	\$	165	
Total Beer Board			165

Budget and Finance Committee

Board and Committee Members Fees	\$	1,785	
Total Budget and Finance Committee			1,785

Other Boards and Committees

Board and Committee Members Fees	\$	1,065	
Total Other Boards and Committees			1,065

County Mayor/Executive

County Official/Administrative Officer	\$	83,946	
Accountants/Bookkeepers		23,860	
Secretary(ies)		20,900	
Communication		2,768	
Dues and Memberships		1,950	
Maintenance Agreements		1,434	
Postal Charges		1,236	
Printing, Stationery, and Forms		1,004	
Travel		498	
Other Contracted Services		14,800	
Office Supplies		1,638	
Other Charges		1,788	
Data Processing Equipment		6,754	
Total County Mayor/Executive			162,576

County Attorney

County Official/Administrative Officer	\$	6,000	
Total County Attorney			6,000

Election Commission

County Official/Administrative Officer	\$	65,414	
Other Salaries and Wages		11,772	

(Continued)

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	5,686	
Election Workers		1,498	
In-service Training		875	
Communication		3,296	
Dues and Memberships		150	
Maintenance Agreements		9,670	
Maintenance and Repair Services - Equipment		430	
Postal Charges		1,885	
Printing, Stationery, and Forms		1,981	
Travel		746	
Other Contracted Services		4,852	
Office Supplies		1,436	
Periodicals		299	
Software		7,925	
Liability Insurance		1,921	
Office Equipment		955	
Total Election Commission			\$ 120,791

Register of Deeds

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		27,086	
Secretary(ies)		22,434	
Part-time Personnel		1,545	
Communication		1,073	
Data Processing Services		8,433	
Dues and Memberships		788	
Maintenance Agreements		854	
Postal Charges		241	
Printing, Stationery, and Forms		732	
Travel		1,093	
Office Supplies		532	
Total Register of Deeds			137,493

County Buildings

Custodial Personnel	\$	31,133	
Maintenance Personnel		15,500	
Maintenance Agreements		1,764	
Maintenance and Repair Services - Buildings		122,950	
Maintenance and Repair Services - Office Equipment		5,734	
Maintenance and Repair Services - Vehicles		963	
Pest Control		1,335	
Custodial Supplies		3,188	
Electricity		125,349	
Gasoline		1,972	
Natural Gas		20,476	
Water and Sewer		28,195	
Other Supplies and Materials		2,262	

(Continued)

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Building and Contents Insurance	\$	62,243	
Other Charges		1,272	
Building Improvements		176,382	
Total County Buildings			\$ 600,718

Preservation of Records

Postal Charges	\$	14	
Other Supplies and Materials		499	
Total Preservation of Records			513

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		62,885	
Audit Services		12,000	
Communication		891	
Contracts with Private Agencies		1,133	
Dues and Memberships		1,650	
Maintenance Agreements		1,162	
Postal Charges		579	
Printing, Stationery, and Forms		203	
Travel		1,189	
Office Supplies		510	
Total Property Assessor's Office			154,884

Reappraisal Program

Assessment Personnel	\$	12,250	
Data Processing Services		10,634	
Maintenance and Repair Services - Vehicles		113	
Gasoline		823	
Office Supplies		161	
Total Reappraisal Program			23,981

County Trustee's Office

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		27,087	
Clerical Personnel		20,296	
Part-time Personnel		9,517	
Communication		891	
Data Processing Services		10,732	
Dues and Memberships		1,053	
Maintenance Agreements		676	
Postal Charges		4,848	
Printing, Stationery, and Forms		6,637	
Travel		976	
Office Supplies		499	
Periodicals		597	
Office Equipment		1,093	
Total County Trustee's Office			157,584

(Continued)

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		26,320	
Secretary(ies)		22,782	
Clerical Personnel		66,098	
Communication		2,937	
Contracts with Government Agencies		252	
Data Processing Services		4,800	
Dues and Memberships		678	
Maintenance Agreements		930	
Maintenance and Repair Services - Office Equipment		365	
Postal Charges		4,898	
Printing, Stationery, and Forms		2,257	
Travel		561	
Data Processing Equipment		16,740	
Total County Clerk's Office			\$ 222,300

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		57,896	
Jury and Witness Expense		17,558	
Other Per Diem and Fees		4,313	
Communication		3,127	
Contracts with Government Agencies		8,648	
Dues and Memberships		673	
Maintenance Agreements		4,301	
Postal Charges		4,342	
Printing, Stationery, and Forms		1,114	
Travel		352	
Office Supplies		2,864	
Periodicals		254	
Other Charges		1,567	
Data Processing Equipment		24,770	
Total Circuit Court			204,461

General Sessions Court

Judge(s)	\$	112,771	
Deputy(ies)		22,397	
Accountants/Bookkeepers		24,338	
Secretary(ies)		18,345	
Other Per Diem and Fees		4,562	
Communication		50	
Contracts with Government Agencies		4,094	
Postal Charges		1,170	
Printing, Stationery, and Forms		697	
Travel		751	
Office Supplies		1,325	
Other Charges		1,160	
Total General Sessions Court			191,660

(Continued)

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		22,791	
Clerical Personnel		19,148	
Communication		891	
Data Processing Services		8,280	
Dues and Memberships		773	
Maintenance Agreements		1,434	
Postal Charges		6,360	
Printing, Stationery, and Forms		1,094	
Travel		603	
Office Supplies		979	
Periodicals		295	
Premiums on Corporate Surety Bonds		699	
Other Equipment		7,499	
Total Chancery Court			\$ 143,528

Juvenile Court

Youth Service Officer(s)	\$	32,645	
Clerical Personnel		13,065	
Communication		572	
Maintenance Agreements		3,850	
Travel		107	
Office Supplies		1,752	
Other Charges		758	
Total Juvenile Court			52,749

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	79,950	
Deputy(ies)		490,031	
Accountants/Bookkeepers		25,022	
Salary Supplements		39,462	
Guards		383,734	
Secretary(ies)		22,755	
Part-time Personnel		26,338	
In-service Training		18,603	
Communication		31,171	
Dues and Memberships		2,100	
Maintenance Agreements		3,000	
Maintenance and Repair Services - Equipment		170	
Maintenance and Repair Services - Office Equipment		844	
Maintenance and Repair Services - Vehicles		32,163	
Postal Charges		2,151	
Printing, Stationery, and Forms		313	
Towing Services		6,715	
Travel		947	
Other Contracted Services		300	

(Continued)

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Gasoline	\$	85,347	
Office Supplies		3,493	
Periodicals		1,244	
Tires and Tubes		7,216	
Uniforms		9,657	
Other Supplies and Materials		10,199	
Vehicle and Equipment Insurance		70,182	
Workers' Compensation Insurance		59,535	
Data Processing Equipment		8,477	
Law Enforcement Equipment		1,014	
Motor Vehicles		197,458	
Office Equipment		799	
Other Equipment		3,815	
Total Sheriff's Department			\$ 1,624,205

Jail

Custodial Personnel	\$	30,677	
In-service Training		1,846	
Maintenance Agreements		3,023	
Maintenance and Repair Services - Buildings		44,608	
Maintenance and Repair Services - Equipment		10,180	
Medical and Dental Services		157,085	
Pest Control		580	
Travel		1,300	
Custodial Supplies		17,967	
Food Supplies		107,923	
Office Supplies		1,145	
Prisoners Clothing		3,201	
Other Supplies and Materials		4,672	
Law Enforcement Equipment		588	
Total Jail			384,795

Fire Prevention and Control

Supervisor/Director	\$	23,714	
In-service Training		473	
Communication		960	
Maintenance and Repair Services - Buildings		2,492	
Maintenance and Repair Services - Equipment		7,181	
Maintenance and Repair Services - Vehicles		8,052	
Postal Charges		3	
Gasoline		3,924	
Office Supplies		499	
Tires and Tubes		1,385	
Other Supplies and Materials		1,039	
Liability Insurance		26,000	
Workers' Compensation Insurance		29,453	
Other Equipment		14,862	
Total Fire Prevention and Control			120,037

(Continued)

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Rural Fire Protection

Contracts with Government Agencies	\$ 37,115	
Total Rural Fire Protection		\$ 37,115

Civil Defense

Supervisor/Director	\$ 50,000	
In-service Training	1,397	
Communication	1,331	
Maintenance Agreements	396	
Maintenance and Repair Services - Equipment	490	
Maintenance and Repair Services - Vehicles	1,455	
Postal Charges	3	
Travel	1,593	
Office Supplies	565	
Uniforms	397	
Other Supplies and Materials	571	
Other Charges	11,023	
Other Equipment	5,649	
Total Civil Defense		74,870

Inspection and Regulation

Supervisor/Director	\$ 5,685	
Total Inspection and Regulation		5,685

Other Public Safety

Contracts with Other Public Agencies	\$ 51,375	
Total Other Public Safety		51,375

Public Health and Welfare

Local Health Center

Social Workers	\$ 37,785	
Clerical Personnel	57,804	
Custodial Personnel	9,000	
Communication	2,445	
Contracts with Government Agencies	40,420	
Maintenance and Repair Services - Buildings	8,855	
Pest Control	75	
Travel	6,082	
Other Contracted Services	200	
Custodial Supplies	31	
Drugs and Medical Supplies	345	
Electricity	13,099	
Natural Gas	2,452	
Office Supplies	2,767	
Water and Sewer	2,507	
Other Charges	10,024	
Land	300,000	
State Aid Projects	747	
Building Purchases	200,000	
Total Local Health Center		694,638

(Continued)

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Contracts with Other Public Agencies	\$ 12,500	
Total Ambulance/Emergency Medical Services		\$ 12,500

Other Local Health Services

Other Supplies and Materials	\$ 3,682	
Other Charges	3,190	
Total Other Local Health Services		6,872

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 23,871	
Custodial Personnel	1,500	
Other Salaries and Wages	60,756	
Communication	2,425	
Maintenance and Repair Services - Buildings	421	
Pest Control	180	
Travel	591	
Electricity	7,209	
Natural Gas	1,169	
Office Supplies	1,910	
Water and Sewer	1,691	
Other Supplies and Materials	1,602	
Data Processing Equipment	3,684	
Total Libraries		107,009

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$ 74,653	
Communication	1,592	
Maintenance Agreements	1,860	
Office Equipment	1,295	
Total Agricultural Extension Service		79,400

Soil Conservation

County Official/Administrative Officer	\$ 35,010	
Secretary(ies)	24,078	
Contributions	800	
Total Soil Conservation		59,888

Other Operations

Other Economic and Community Development

Contracts with Other Public Agencies	\$ 71,764	
Contracts for Development Costs	959,912	
Other Charges	385	
Total Other Economic and Community Development		1,032,061

(Continued)

Exhibit J-7

McNairy County, Tennessee
 Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Airport

Other Charges	\$ 64,000	
Total Airport		\$ 64,000

Veterans' Services

Supervisor/Director	\$ 17,623	
Communication	445	
Postal Charges	55	
Travel	219	
Office Supplies	499	
Periodicals	399	
Total Veterans' Services		19,240

Other Charges

Liability Insurance	\$ 62,000	
Trustee's Commission	83,467	
Total Other Charges		145,467

Contributions to Other Agencies

Contributions	\$ 18,326	
Total Contributions to Other Agencies		18,326

Employee Benefits

Longevity Pay	\$ 8,700	
Social Security	177,691	
Pensions	122,516	
Life Insurance	10,788	
Medical Insurance	476,764	
Employer Medicare	39,589	
Workers' Compensation Insurance	1,906	
Total Employee Benefits		837,954

Miscellaneous

Other Charges	\$ 1,451	
Total Miscellaneous		1,451

Principal on Debt

General Government

Principal on Capital Leases	\$ 127,905	
Total General Government		127,905

Interest on Debt

General Government

Interest on Capital Leases	\$ 4,902	
Total General Government		4,902

Total General Fund		\$ 7,728,787
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(Continued)

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$	1,800	
Library Books/Media		946	
Trustee's Commission		13	
Total Libraries			\$ 2,759

Total Law Library Fund \$ 2,759

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	34,852	
Data Processing Personnel		33,037	
Board and Committee Members Fees		60	
Communication		468	
Contracts with Private Agencies		895,023	
Dues and Memberships		265	
Legal Services		8,966	
Maintenance and Repair Services - Buildings		360	
Postal Charges		19,048	
Travel		3,283	
Other Contracted Services		7,488	
Office Supplies		2,140	
Periodicals		1,064	
Other Supplies and Materials		6,192	
Refunds		380	
Trustee's Commission		2,665	
Vehicle and Equipment Insurance		8,642	
Data Processing Equipment		159	
Other Equipment		338	
Total Sanitation Management			\$ 1,024,430

Recycling Center

Laborers	\$	92,606	
Part-time Personnel		9,584	
Overtime Pay		652	
Advertising		160	
Maintenance and Repair Services - Buildings		3,035	
Maintenance and Repair Services - Equipment		1,236	
Maintenance and Repair Services - Vehicles		790	
Travel		52	
Electricity		2,368	
Gasoline		4,701	
Office Supplies		354	
Propane Gas		762	
Small Tools		855	
Tires and Tubes		296	
Water and Sewer		1,546	

(Continued)

Exhibit J-7

McNairy County, Tennessee
 Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Other Supplies and Materials	\$	1,314	
Other Charges		3,209	
Total Recycling Center			\$ 123,520

Landfill Operation and Maintenance

Evaluation and Testing	\$	24,501	
Maintenance and Repair Services - Equipment		2,733	
Diesel Fuel		521	
Electricity		389	
Fertilizer, Lime, and Seed		5,800	
Water and Sewer		156	
Total Landfill Operation and Maintenance			34,100

Other Operations

Employee Benefits

Longevity Pay	\$	500	
Social Security		12,346	
Pensions		8,069	
Life Insurance		843	
Medical Insurance		18,645	
Employer Medicare		2,887	
Workers' Compensation Insurance		1,156	
Total Employee Benefits			44,446

Highways

Litter and Trash Collection

Part-time Personnel	\$	29,579	
Overtime Pay		365	
Maintenance and Repair Services - Vehicles		16	
Travel		1,123	
Gasoline		185	
Instructional Supplies and Materials		7,479	
Periodicals		60	
Other Supplies and Materials		976	
Total Litter and Trash Collection			39,783

Total Solid Waste/Sanitation Fund \$ 1,266,279

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$	10,452	
Communication		1,597	
Maintenance and Repair Services - Buildings		3,482	
Pest Control		270	
Other Contracted Services		1,575	
Custodial Supplies		2,381	

(Continued)

Exhibit J-7

McNairy County, Tennessee
 Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Special Purpose Fund (Cont.)

General Government (Cont.)

Other Facilities (Cont.)

Electricity	\$	30,553	
Gasoline		291	
Natural Gas		1,694	
Water and Sewer		3,337	
Building and Contents Insurance		5,867	
Other Charges		38,622	
Total Other Facilities			\$ 100,121

Other Operations

Employee Benefits

Social Security	\$	648	
Pensions		548	
Employer Medicare		152	
Total Employee Benefits			1,348

Total Special Purpose Fund \$ 101,469

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	7,086	
Veterinary Services		2,622	
Other Supplies and Materials		7,478	
Motor Vehicles		18,500	
Other Equipment		3,938	
Total Drug Enforcement			\$ 39,624

Principal on Debt

General Government

Principal on Capital Leases	\$	3,576	
Total General Government			3,576

Interest on Debt

General Government

Interest on Capital Leases	\$	142	
Total General Government			142

Total Drug Control Fund 43,342

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	79,950	
Accountants/Bookkeepers		34,310	
Clerical Personnel		2,650	
Board and Committee Members Fees		300	
Communication		4,669	

(Continued)

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Dues and Memberships	\$	2,919	
Maintenance and Repair Services - Buildings		6,663	
Postal Charges		395	
Printing, Stationery, and Forms		789	
Travel		323	
Electricity		11,252	
Office Supplies		826	
Water and Sewer		1,103	
Office Equipment		8,388	
Total Administration			\$ 154,537

Highway and Bridge Maintenance

Foremen	\$	36,502	
Equipment Operators		316,165	
Truck Drivers		150,034	
Laborers		109,642	
Other Contracted Services		11,185	
Concrete		7,020	
Crushed Stone		241,810	
Pipe - Metal		169,431	
Road Signs		3,470	
Salt		180	
Chemicals		57,598	
Total Highway and Bridge Maintenance			1,103,037

Operation and Maintenance of Equipment

Mechanic(s)	\$	98,227	
Licenses		46	
Diesel Fuel		116,266	
Equipment and Machinery Parts		105,573	
Garage Supplies		18,358	
Gasoline		53,388	
Lubricants		12,781	
Tires and Tubes		30,559	
Total Operation and Maintenance of Equipment			435,198

Other Charges

Other Contracted Services	\$	464	
Building and Contents Insurance		2,747	
Trustee's Commission		31,893	
Vehicle and Equipment Insurance		54,240	
Total Other Charges			89,344

Employee Benefits

Social Security	\$	61,639	
Pensions		43,240	
Employee and Dependent Insurance		240,472	

(Continued)

Exhibit J-7

McNairy County, Tennessee
 Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$ 6,560	
Workers' Compensation Insurance	85,466	
Total Employee Benefits		\$ 437,377

Capital Outlay

Bridge Construction	\$ 16,554	
Highway Construction	537,587	
Highway Equipment	168,569	
Total Capital Outlay		722,710

Total Highway/Public Works Fund \$ 2,942,203

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 224,708	
Principal on Notes	191,289	
Total General Government		\$ 415,997

Highways and Streets

Principal on Bonds	\$ 267,795	
Total Highways and Streets		267,795

Education

Principal on Bonds	\$ 786,630	
Total Education		786,630

Interest on Debt

General Government

Interest on Bonds	\$ 24,765	
Interest on Notes	14,343	
Total General Government		39,108

Highways and Streets

Interest on Bonds	\$ 22,912	
Total Highways and Streets		22,912

Education

Interest on Bonds	\$ 345,165	
Total Education		345,165

Other Debt Service

General Government

Trustee's Commission	\$ 16,793	
Other Debt Service	795	
Total General Government		17,588

(Continued)

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service (Cont.)</u>		
<u>Highways and Streets</u>		
Other Debt Service	\$ 414	
Total Highways and Streets		\$ 414
 <u>Education</u>		
Other Debt Service	\$ 56	
Total Education		<u>56</u>
Total General Debt Service Fund		\$ 1,895,665
 <u>General Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Other Debt Issuance Charges	\$ 7,500	
Total General Government		\$ 7,500
 <u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Maintenance and Repair Services - Buildings	\$ 51,587	
Total Other General Government Projects		<u>51,587</u>
Total General Capital Projects Fund		59,087
 <u>Community Development/Industrial Park Fund</u>		
<u>Agriculture and Natural Resources</u>		
<u>Other Agriculture and Natural Resources</u>		
Other Charges	\$ 4,037	
Total Other Agriculture and Natural Resources		<u>\$ 4,037</u>
Total Community Development/Industrial Park Fund		4,037
 <u>Education Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Underwriter's Discount	\$ 113,146	
Other Debt Issuance Charges	<u>173,000</u>	
Total Education		<u>\$ 286,146</u>
Total Education Capital Projects Fund		<u>286,146</u>
Total Governmental Funds - Primary Government		<u>\$ 14,329,774</u>

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2018

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 12,915,318	
Career Ladder Program	82,859	
Educational Assistants	266,563	
Certified Substitute Teachers	49,156	
Non-certified Substitute Teachers	131,457	
Social Security	742,542	
Pensions	1,135,431	
Medical Insurance	1,924,525	
Dental Insurance	121,088	
Unemployment Compensation	8,480	
Employer Medicare	177,148	
Travel	11,720	
Instructional Supplies and Materials	165,008	
Textbooks - Bound	30,886	
Other Supplies and Materials	14,682	
Regular Instruction Equipment	15,050	
Other Equipment	250,108	
Total Regular Instruction Program		\$ 18,042,021

Special Education Program

Teachers	\$ 1,066,799	
Career Ladder Program	7,000	
Clerical Personnel	97,915	
Educational Assistants	161,148	
Speech Pathologist	39,464	
Certified Substitute Teachers	945	
Non-certified Substitute Teachers	9,947	
Social Security	75,783	
Pensions	113,174	
Medical Insurance	458,366	
Dental Insurance	6,930	
Employer Medicare	17,744	
Contracts with Other Public Agencies	4,593	
Contracts with Private Agencies	3,479	
Evaluation and Testing	3,642	
Instructional Supplies and Materials	9,371	
Special Education Equipment	32,912	
Total Special Education Program		2,109,212

Career and Technical Education Program

Teachers	\$ 734,337
Career Ladder Program	2,000
Certified Substitute Teachers	1,820
Non-certified Substitute Teachers	4,751
Social Security	42,174
Pensions	58,500

(Continued)

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Career and Technical Education Program (Cont.)

Medical Insurance	\$	88,461	
Employer Medicare		10,043	
Instructional Supplies and Materials		21,261	
Vocational Instruction Equipment		128,083	
Total Career and Technical Education Program			\$ 1,091,430

Adult Education Program

Other Salaries and Wages	\$	27,250	
Employer Medicare		395	
Communication		403	
Postal Charges		50	
Travel		598	
Other Supplies and Materials		1,463	
Total Adult Education Program			30,159

Support Services

Attendance

Supervisor/Director	\$	60,228	
Social Security		3,322	
Pensions		5,000	
Medical Insurance		11,999	
Employer Medicare		777	
Travel		786	
Total Attendance			82,112

Health Services

Supervisor/Director	\$	45,915	
Other Salaries and Wages		179,208	
Social Security		10,492	
Pensions		7,800	
Medical Insurance		48,116	
Employer Medicare		2,810	
Communication		500	
Postal Charges		10	
Travel		1,053	
Contracts for Substitute Teachers - Certified		35	
Contracts for Substitute Teachers - Non-certified		290	
Other Supplies and Materials		6,224	
In Service/Staff Development		4,302	
Other Charges		3,500	
Total Health Services			310,255

Other Student Support

Guidance Personnel	\$	383,353	
Social Security		21,292	
Pensions		34,808	

(Continued)

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Medical Insurance	\$	65,576	
Employer Medicare		4,980	
Evaluation and Testing		51,162	
Total Other Student Support			\$ 561,171

Regular Instruction Program

Supervisor/Director	\$	74,151	
Career Ladder Program		2,000	
Librarians		378,210	
Materials Supervisor		9,882	
Secretary(ies)		27,500	
Social Security		27,139	
Pensions		37,361	
Medical Insurance		76,119	
Employer Medicare		6,372	
Travel		15,045	
Other Contracted Services		3,500	
Library Books/Media		7,788	
In Service/Staff Development		3,237	
Other Charges		2,779	
Total Regular Instruction Program			671,083

Special Education Program

Supervisor/Director	\$	65,892	
Psychological Personnel		59,237	
Secretary(ies)		27,500	
Other Salaries and Wages		52,037	
Social Security		11,468	
Pensions		12,751	
Medical Insurance		32,632	
Dental Insurance		645	
Employer Medicare		2,682	
Postal Charges		292	
Travel		4,704	
Other Contracted Services		42,676	
Other Supplies and Materials		4,751	
In Service/Staff Development		2,537	
Other Charges		3,067	
Total Special Education Program			322,871

Career and Technical Education Program

Supervisor/Director	\$	40,502	
Employer Medicare		570	
Total Career and Technical Education Program			41,072

(Continued)

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Technology

Supervisor/Director	\$	65,892	
Computer Programmer(s)		75,000	
Data Processing Personnel		4,623	
Instructional Computer Personnel		136,797	
Social Security		14,842	
Pensions		17,345	
Medical Insurance		74,858	
Employer Medicare		3,471	
Internet Connectivity		26,878	
Total Technology			\$ 419,706

Other Programs

On-behalf Payments to OPEB	\$	146,211	
Total Other Programs			146,211

Board of Education

Board and Committee Members Fees	\$	5,525	
Social Security		343	
Employer Medicare		80	
Audit Services		19,000	
Dues and Memberships		30,533	
Legal Services		3,521	
Travel		8,700	
Other Contracted Services		2,664	
Trustee's Commission		150,267	
Workers' Compensation Insurance		235,253	
Other Charges		157	
Total Board of Education			456,043

Director of Schools

County Official/Administrative Officer	\$	101,992	
Secretary(ies)		35,000	
Social Security		8,130	
Pensions		10,600	
Medical Insurance		8,657	
Employer Medicare		1,901	
Communication		11,626	
Travel		1,511	
Office Supplies		5,005	
Other Charges		3,212	
Total Director of Schools			187,634

Office of the Principal

Principals	\$	590,390	
Career Ladder Program		8,000	
Secretary(ies)		277,972	

(Continued)

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Social Security	\$	49,510	
Pensions		64,717	
Medical Insurance		126,720	
Employer Medicare		11,579	
Total Office of the Principal			\$ 1,128,888

Fiscal Services

Accountants/Bookkeepers	\$	88,250	
Secretary(ies)		27,500	
Social Security		6,899	
Pensions		5,683	
Medical Insurance		5,466	
Employer Medicare		1,639	
Travel		49	
Other Contracted Services		6,490	
Office Supplies		6,463	
Total Fiscal Services			148,439

Operation of Plant

Custodial Personnel	\$	527,918	
Other Salaries and Wages		135	
Social Security		28,708	
Pensions		27,716	
Medical Insurance		123,961	
Employer Medicare		6,714	
Communication		52,285	
Custodial Supplies		70,881	
Electricity		686,021	
Natural Gas		146,278	
Water and Sewer		130,104	
Building and Contents Insurance		300,213	
Total Operation of Plant			2,100,934

Maintenance of Plant

Maintenance Personnel	\$	201,239	
Other Salaries and Wages		400	
Social Security		11,641	
Pensions		10,500	
Medical Insurance		29,596	
Employer Medicare		2,723	
Communication		740	
Maintenance and Repair Services - Buildings		99,594	
Maintenance and Repair Services - Equipment		71,571	
Other Contracted Services		4,014	
Other Supplies and Materials		129,845	
Other Charges		105,744	
Total Maintenance of Plant			667,607

(Continued)

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	45,000	
Mechanic(s)		84,750	
Bus Drivers		495,739	
Clerical Personnel		30,000	
Other Salaries and Wages		124,735	
Social Security		45,181	
Pensions		35,229	
Medical Insurance		17,966	
Employer Medicare		11,112	
Communication		1,392	
Maintenance and Repair Services - Vehicles		183,426	
Medical and Dental Services		6,390	
Diesel Fuel		202,985	
Gasoline		18,590	
Lubricants		8,308	
Tires and Tubes		39,233	
Other Supplies and Materials		3,760	
Other Charges		437	
Transportation Equipment		215,976	
Total Transportation			\$ 1,570,209

Operation of Non-Instructional Services

Early Childhood Education

Supervisor/Director	\$	7,500	
Teachers		253,712	
Clerical Personnel		7,500	
Educational Assistants		78,649	
Other Salaries and Wages		53,761	
Certified Substitute Teachers		1,155	
Non-certified Substitute Teachers		7,105	
Social Security		21,379	
Pensions		33,112	
Medical Insurance		91,115	
Dental Insurance		2,458	
Employer Medicare		5,081	
Communication		1,139	
Travel		1,323	
Other Supplies and Materials		44,338	
In Service/Staff Development		787	
Other Equipment		1,672	
Total Early Childhood Education			611,786

Capital Outlay

Regular Capital Outlay

Architects	\$	15,197	
Other Capital Outlay		2,332	
Total Regular Capital Outlay			17,529

(Continued)

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Other Debt Service

Education

Contributions	\$ 1,200,631	
Total Education		\$ 1,200,631

Total General Purpose School Fund \$ 31,917,003

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 757,075	
Educational Assistants	23,950	
Other Salaries and Wages	4,150	
Certified Substitute Teachers	2,310	
Non-certified Substitute Teachers	9,280	
Social Security	45,284	
Pensions	70,288	
Medical Insurance	75,188	
Dental Insurance	4,543	
Employer Medicare	10,865	
Instructional Supplies and Materials	100,109	
Other Supplies and Materials	312	
Other Charges	3,702	
Regular Instruction Equipment	17,233	
Total Regular Instruction Program		\$ 1,124,289

Special Education Program

Educational Assistants	\$ 467,231	
Speech Pathologist	50,105	
Other Salaries and Wages	27,352	
Social Security	27,998	
Pensions	27,299	
Employer Medicare	6,547	
Instructional Supplies and Materials	3,335	
Other Charges	282	
Special Education Equipment	14,834	
Total Special Education Program		624,983

Career and Technical Education Program

Instructional Supplies and Materials	\$ 9,234	
Other Supplies and Materials	1,666	
Other Charges	1,503	
Vocational Instruction Equipment	44,613	
Total Career and Technical Education Program		57,016

Support Services

Other Student Support

Social Workers	\$ 39,348	
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(Continued)

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Security	\$	2,409	
Pensions		2,066	
Employer Medicare		563	
Travel		8,567	
Other Supplies and Materials		393	
In Service/Staff Development		4,303	
Other Charges		11,072	
Total Other Student Support	\$		68,721

Regular Instruction Program

Supervisor/Director	\$	67,197	
Secretary(ies)		22,500	
Part-time Personnel		23,813	
Other Salaries and Wages		51,425	
Social Security		7,568	
Pensions		11,435	
Medical Insurance		27,315	
Dental Insurance		323	
Employer Medicare		2,115	
Operating Lease Payments		561	
Postal Charges		13	
Travel		1,554	
Other Supplies and Materials		755	
In Service/Staff Development		44,743	
Total Regular Instruction Program			261,317

Special Education Program

Other Contracted Services	\$	142,790	
Other Supplies and Materials		3,249	
In Service/Staff Development		6,287	
Total Special Education Program			152,326

Career and Technical Education Program

Travel	\$	659	
Total Career and Technical Education Program			659

Board of Education

Criminal Investigation of Applicants - TBI	\$	58	
Total Board of Education			58

Transportation

Bus Drivers	\$	28,458	
Other Salaries and Wages		42,982	
Social Security		4,413	
Pensions		1,606	
Employer Medicare		1,032	
Diesel Fuel		2,200	
Total Transportation			80,691

(Continued)

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

School Federal Projects Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	2,519	
Teachers		347,860	
Clerical Personnel		30,000	
Educational Assistants		71,691	
Social Security		26,383	
Pensions		33,280	
Medical Insurance		5,577	
Employer Medicare		6,327	
Travel		25,927	
Other Contracted Services		13,993	
Instructional Supplies and Materials		14,606	
Other Supplies and Materials		30,765	
In Service/Staff Development		1,225	
Other Charges		2,350	
Other Equipment		44,270	
Total Community Services			\$ 656,773

Total School Federal Projects Fund \$ 3,026,833

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	38,985	
Accountants/Bookkeepers		25,787	
Clerical Personnel		16,838	
Cafeteria Personnel		625,079	
Maintenance Personnel		26,588	
Other Salaries and Wages		29,992	
Social Security		40,718	
Pensions		36,357	
Medical Insurance		193,449	
Unemployment Compensation		613	
Employer Medicare		9,522	
Maintenance and Repair Services - Equipment		24,849	
Transportation - Other than Students		17,517	
Travel		999	
Other Contracted Services		37,155	
Food Supplies		1,013,219	
Office Supplies		1,999	
Uniforms		7,372	
USDA - Commodities		191,760	
Other Supplies and Materials		69,939	
Other Charges		2,328	
Food Service Equipment		29,606	
Total Food Service			\$ 2,440,671

Total Central Cafeteria Fund 2,440,671

(Continued)

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department (Cont.)

<u>Education Capital Projects Fund</u>		
<u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Other Capital Outlay	<u>\$ 1,542,783</u>	
Total Regular Capital Outlay		<u>\$ 1,542,783</u>
 Total Education Capital Projects Fund		 <u>\$ 1,542,783</u>
 Total Governmental Funds - McNairy County School Department		 <u><u>\$ 38,927,290</u></u>

Exhibit J-9

McNairy County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Change in Cash Balance - City Agency Fund
For the Year Ended June 30, 2018

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,782,942
Total Cash Receipts	<u>\$ 1,782,942</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,765,113
Trustee's Commission	<u>17,829</u>
Total Cash Disbursements	<u>\$ 1,782,942</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2017	<u>0</u>
 Cash Balance, June 30, 2018	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

McNairy County Mayor and
Board of County Commissioners
McNairy County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements, and have issued our report thereon dated January 22, 2019. Our report includes a reference to other auditors who audited the financial statements of the McNairy County Airport Authority, as described in our report on McNairy County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McNairy County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McNairy County's internal control. Accordingly, we do not express an opinion on the effectiveness of McNairy County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies: 2018-006, 2018-007, 2018-008, 2018-009(A,B), and 2018-011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McNairy County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-009(C,D), and 2018-010.

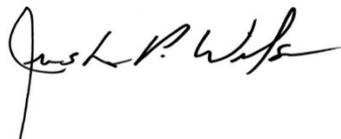
McNairy County's Responses to the Findings

McNairy County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. McNairy County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNairy County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 22, 2019

JPW/kp



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

McNairy County Mayor and
Board of County Commissioners
McNairy County, Tennessee

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited McNairy County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of McNairy County's major federal programs for the year ended June 30, 2018. McNairy County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of McNairy County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McNairy County's compliance with those

requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of McNairy County's compliance.

Opinion on Each Major Federal Program

In our opinion, McNairy County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of McNairy County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McNairy County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McNairy County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

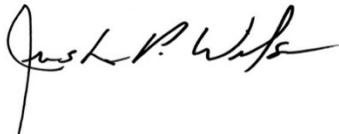
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the

requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements. We issued our report thereon dated January 22, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 22, 2019

JPW/kp

McNairy County, Tennessee, and the McNairy County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year Ended June 30, 2018

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster: (3)			
School Breakfast Program	10.553	N/A	\$ 706,957
National School Lunch Program	10.555	N/A	1,327,435 (5)
Summer Food Service Program for Children	10.559	N/A	77,557
Child Nutrition Discretionary Grants Limited Availablilty	10.579	N/A	30,675
Passed-through State Department of Agriculture:			
Child Nutrition Cluster: (3)			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	191,760 (5)
Total U.S. Department of Agriculture			<u>\$ 2,334,384</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(4)	\$ 350,789
Home Investment Partnerships Program	14.239	(4)	187,203
Total U.S. Department of Housing and Urban Development			<u>\$ 537,992</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(4)	\$ 4,500
Total U.S. Department of Justice			<u>\$ 4,500</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,111,518
Special Education Cluster: (3)			
Special Education - Grants to States	84.027	N/A	877,818
Special Education - Preschool Grants	84.173	N/A	65,313
Career and Technical Education - Basic Grants to States	84.048	N/A	70,544
Twenty-first Century Community Learning Centers	84.287	N/A	480,769
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	189,818
Rural Education	84.358	N/A	73,687
Improving Teacher Quality State Grants	84.367	N/A	163,191
Total U.S. Department of Education			<u>\$ 3,032,658</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(4)	\$ 3,791
Total U.S. Election Assistance Commission			<u>\$ 3,791</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Human Services:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	G1601TNCCDF	\$ 63,213
Total U.S. Department of Health and Human Services			<u>\$ 63,213</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(4)	\$ 31,671
Total U.S. Department of Homeland Security			<u>\$ 31,671</u>
Total Expenditures of Federal Awards			<u>\$ 6,008,209</u>

(Continued)

McNairy County, Tennessee, and the McNairy County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(4)	\$ 43,486
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(4)	30,211
Early Childhood Education - State Department of Education	N/A	(4)	611,841
Coordinated School Health - State Department of Education	N/A	(4)	90,000
Safe Schools Act - State Department of Education	N/A	(4)	24,300
High Schools That Work - State Department of Education	N/A	(4)	106,247
CTE Equipment Grant - State Department of Education	N/A	(4)	124,906
ConnecTenn - State Department of Education	N/A	(4)	10,903
Read to be Ready Coaching Network - State Department of Education	N/A	(4)	10,600
Courtroom Security Grant - Administrative Office of the Courts	N/A	(4)	6,749
Clean Tennessee Energy Grant Program - State Department of Environment and Conservation	N/A	(4)	<u>176,527</u>
Total State Grants			<u>\$ 1,235,770</u>

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) McNairy County elected not to use the 10% de minimis cost rate permitted in the Uniform Guidance.
- (3) Child Nutrition Cluster total \$2,303,709; Special Education Cluster total \$943,131.
- (4) Information not available.
- (5) Total for CFDA No. 10.555 is \$1,519,195.

McNairy County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2018

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or not. Presented below are financial statement findings along with their current status from the Annual Financial Report for McNairy County, Tennessee, for the year ended June 30, 2018.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<u>OFFICE OF COUNTY MAYOR</u>					
2017	180	2017-001	The Office Had Deficiencies in Budget Operations	N/A	Not Corrected - See Explanation on Corrective Action Plan
<u>OFFICES OF COUNTY MAYOR AND SHERIFF</u>					
2017	181	2017-002	Accrued Vacation Leave Balances Exceeded the Maximum Balance Provided by the County's Personnel Policy	N/A	Not Corrected - See Explanation on Corrective Action Plan
<u>OFFICE OF DIRECTOR OF SCHOOLS</u>					
2017	182	2017-003	The Director of Schools had not Formally Documented Internal Controls	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	182	2017-004	The Purchasing Software Used by the Central Office did not have Adequate Application Controls	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	183	2017-005	Documents Could be Generated from the Software Test Environment without being Marked as Invalid	N/A	Not Corrected - See Explanation on Corrective Action Plan
<u>OFFICE OF SHERIFF</u>					
2017	184	2017-006	The Office had Accounting Deficiencies	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	185	2017-007	The Office did not Deposit Some Funds Within Three Days of Collection	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	186	2017-008	Duties were not Segregated Adequately	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	186	2017-009	A Theft Occurred at the Sheriff's Department and was not Reported to the Comptroller of the Treasury in a Timely Manner	N/A	Corrected

Prior-year Federal Awards Findings

There were no prior-year federal award findings to report.

McNAIRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of McNairy County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **YES**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Numbers: 10.553, 10.555, and 10.559 Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children
8. Dollar threshold used to distinguish between Type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF COUNTY MAYOR

FINDING 2018-001

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(A. – Material Noncompliance Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed deficiencies in budget operations of the office. These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures; management failed to provide sufficient oversight; management failed to correct the finding noted in the prior-year audit report; and failed to implement their corrective action plan.

- A. Expenditures exceeded total appropriations approved by the county commission in the General, Solid Waste/Sanitation, Drug Control, and General Debt Service funds by \$1,286,619, \$98,663, \$342, and \$4,065, respectively.
- B. Salaries exceeded appropriations in 14 of 74 salary line-items of the General Fund by amounts ranging from \$200 to \$19,148, and in four of nine salary line-items of the Solid Waste/Sanitation Fund by amounts ranging from \$652 to \$17,806. The budget resolution approved by the county commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the county commission.

Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Expenditures should be held within appropriations approved by the county commission.

MANAGEMENT’S RESPONSE – RONNIE BROOKS, FORMER COUNTY MAYOR

I understand and accept the finding. This finding is due to budget amendments not being approved by the county commission before June 30, 2018.

OFFICES OF COUNTY MAYOR AND SHERIFF

FINDING 2018-002

ACCRUED VACATION LEAVE BALANCES EXCEEDED THE MAXIMUM BALANCE PROVIDED BY THE COUNTY’S PERSONNEL POLICY

(Noncompliance Under *Government Auditing Standards*)

We noted that three employees in the Sheriff’s Department had accrued vacation leave balances exceeding the maximum balance provided by the county’s personnel policy. The county’s personnel policy for vacation leave provides, “Vacation time may be accumulated and carried forward to the next year in an amount not to exceed five days. Any days exceeding the five-day limit will be lost if not used prior to the end of the current year.” This deficiency can be attributed to the failure of management to adequately monitor employees’ leave balances, management’s failure to correct the finding noted in the prior-year audit report, and the failure to implement their corrective action plan. Allowing employees to accrue leave balances exceeding five days violates the county’s leave policy and may result in excess employee compensation.

RECOMMENDATION

Management should monitor employees’ leave balances to ensure compliance with the county’s personnel policy.

MANAGEMENT’S RESPONSE – RONNIE BROOKS, FORMER COUNTY MAYOR

I understand and accept the finding. The personnel policy was not revised during the fiscal year to eliminate this finding.

MANAGEMENT’S RESPONSE – SHERIFF

I agree with this finding.

OFFICE OF HIGHWAY COMMISSIONER

FINDING 2018-003

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(A. – Material Noncompliance Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed deficiencies in budget operations of the office. These deficiencies exist because management failed to hold spending to the limits authorized by the county commission, which resulted in unauthorized expenditures, and management failed to provide sufficient oversight.

- A. Expenditures exceeded appropriations approved by the county commission in three of eight major appropriation categories (the legal level of control) in the Highway/Public Works Fund as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Highways - Administration	\$ 427
Highways - Highway and Bridge Maintenance	232,245
Highways - Operation and Maintenance of Equipment	28,598

- B. Salaries exceeded appropriations in two of nine salary line-items in the Highway/Public Works Fund by \$8,727 and \$121,945. The budget resolution approved by the county commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the county commission.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the county commission.

MANAGEMENT’S RESPONSE – HIGHWAY COMMISSIONER

I concur with this finding. Budget amendments were prepared and submitted at the county commission’s last meeting on June 25, 2018; however, they were not approved until the next meeting on July 16, 2018. If the amendments had been approved at the June 2018 meeting, the finding would not have been necessary.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2018-004

THE DIRECTOR OF SCHOOLS HAD NOT FORMALLY DOCUMENTED INTERNAL CONTROLS

(Noncompliance Under *Government Auditing Standards*)

Section 9-18-102(a), *Tennessee Code Annotated (TCA)*, requires each county government to establish and maintain internal controls to provide reasonable assurance for compliance with applicable laws, the safeguarding of assets, and proper accountability for the preparation of accurate and reliable financial records and reports. These provisions became effective for the fiscal year ended June 30, 2016. The director of schools had not formally documented internal controls for office operations to verify compliance with the above-noted statute. Formal documentation could be in the form of printed or digital policies and procedures for the maintenance of controls, including the segregation of employee duties. Failure to implement and maintain internal controls could put public assets at risk of loss, misuse, or abuse. This deficiency exists because management failed to correct the finding noted in the prior-year audit report and failed to implement their corrective action plan.

RECOMMENDATION

The director of schools should formally document and maintain internal controls for office operations as required by Section 9-18-102(a), *TCA*.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We concur with this finding and will work to resolve it in the future.

FINDING 2018-005

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(Noncompliance Under *Government Auditing Standards*)

Our examination revealed deficiencies in budget operations of the office. These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to provide sufficient oversight.

- A. Expenditures exceeded total appropriations approved by the county commission in the General Purpose School Fund by \$331,559.
- B. Salaries exceeded appropriations in 28 of 66 salary line-items of the General Purpose School Fund by amounts ranging from \$135 to \$302,742 and in one of 19 salary line-items in the School Federal Projects Fund by \$1,300. The budget resolution approved by the county commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the county commission.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the county commission.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We concur with this finding and will work to resolve it in the future.

FINDING 2018-006

THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$162,117 AT JUNE 30, 2018

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The School Federal Projects Fund had a cash overdraft of \$162,117 at June 30, 2018. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. Sound business practices dictate that expenditures be held within available funds. The cash overdraft was liquidated after June 30, 2018.

RECOMMENDATION

The School Department should not issue checks exceeding cash on deposit with the county trustee.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We concur with this finding and will work to resolve it in the future.

FINDING 2018-007

THE PURCHASING SOFTWARE USED BY THE CENTRAL OFFICE DID NOT HAVE ADEQUATE APPLICATION CONTROLS

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The software application allowed users to change vendor names during the check-writing process causing the payee on the check to disagree with reports. Sound business practices dictate that proper computer application controls be implemented. These controls would help ensure the reliability and integrity of the information maintained by the system. Since the vendor did not design the system with proper controls, inappropriate system activity could occur. This deficiency was a result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Management should contact the software developer concerning the addition of controls to the software that would prevent users from altering vendor names during the check-writing process.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur. We will be changing software providers beginning February 2019 to solve these issues and hopefully remove them.

FINDING 2018-008

DOCUMENTS COULD BE GENERATED FROM THE SOFTWARE TEST ENVIRONMENT WITHOUT BEING MARKED AS INVALID

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office maintained two system environments for their accounting software: a test environment and a production environment. The test environment was used for training purposes and contained copies of production data while the production environment was used to process actual transactions and maintain the official accounting records. Users could execute all payroll and vendor functions including the printing of valid negotiable checks in the test environment. Since the test environment was not the official record of the office, these transactions could go undetected. Because management had not determined the risk associated with this functionality, inappropriate activity could occur. Sound business practices dictate that proper application controls be implemented. This deficiency is also a result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Output generated from the test environment should be clearly marked as invalid or the test environment should be disabled.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur. We will be changing software providers beginning February 2019 to solve these issues and hopefully remove them.

OFFICE OF SHERIFF

FINDING 2018-009

THE OFFICE HAD ACCOUNTING DEFICIENCIES

(A. and B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; C. and D. – Noncompliance Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of the office’s accounting records. These deficiencies can be attributed to a lack of understanding of internal controls, generally accepting accounting principles, state statutes, and sound business practices. Also, these deficiencies are the result of management’s failure to correct the finding noted in the prior-year audit report and the failure to implement their corrective action plan.

- A. The office did not maintain any accounting records for transactions of the commissary. Also, the cash journal and the annual financial report did not include the commissary account, and the office was unable to provide any subsidiary reports from the commissary software. We have included commissary receipts (\$132,751) and disbursements (\$149,956) in the financial statements of this report based on amounts we summarized from available bank statements. The failure to properly maintain records of commissary transactions allows errors to occur and not be detected and increases the risks of fraud and abuse.
- B. Bank statements for the commissary bank account had not been reconciled monthly. Sound business practices require the reconciliation of bank statements with general ledger accounts to ensure that all collections and disbursements are recorded in the accounting records accurately. The failure to reconcile bank statements with the general ledger monthly allows errors to remain undiscovered and uncorrected.
- C. Profits from commissary operations were not remitted to the county trustee monthly. The state attorney general opined in November 1989 that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, *Tennessee Code Annotated (TCA)*, provides that all funds earned by the Sheriff’s Department should be reported to the county monthly.
- D. The office had prepared an annual financial report; however, the annual financial report was not filed with the county clerk and county mayor. Section 5-8-505, *TCA*, states, “All appointive or elective county public officials, official county boards, committees and commissions in the state having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk, who shall provide a copy of this report to each member of the county legislative body on or before the next meeting of the county legislative body an annual financial report for the year ended June 30, in a form prescribed by the comptroller of the treasury.” The next meeting of the county commission after June 30, 2018, was July 16, 2018.

RECOMMENDATION

An official cash journal and annual financial report should reflect all financial operations of the Sheriff's Department. The office should consult with their software vendor to obtain reports of commissary transactions. Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly. Profits from commissary operations should be remitted to the county trustee monthly. The office should file an annual financial report as required by state statute.

MANAGEMENT'S RESPONSE – SHERIFF

I agree with this finding.

FINDING 2018-010

THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION

(Noncompliance Under *Government Auditing Standards*)

In some instances, the Sheriff's Office did not deposit funds to the office bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. Throughout the year, deposits were only made once per week resulting in collections that were consistently held for over three days before depositing. This deficiency was the result of a lack of management oversight, management's failure to correct the finding noted in the prior-year audit report, and management's failure to implement their corrective action plan. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

The sheriff should ensure that all funds are deposited to the official bank account within three days of collection as required by state statute.

MANAGEMENT'S RESPONSE – SHERIFF

I agree with this finding.

FINDING 2018-011

DUTIES WERE NOT SEGREGATED ADEQUATELY

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the official and employees in the Sheriff's Office. The employee responsible for maintaining accounting records was also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability

of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report and the failure to implement their corrective action plan.

RECOMMENDATION

The sheriff should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – SHERIFF

I agree with this finding.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

McNairy County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2018

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
<u>OFFICE OF COUNTY MAYOR</u>		
2018-001	The Office had Deficiencies in Budget Operations	209
<u>OFFICES OF COUNTY MAYOR AND SHERIFF</u>		
2018-002	Accrued Leave Balances Exceeded the Maximum Balance Provided by the County's Personnel Policy - County Mayor	209
2018-002	Accrued Leave Balances Exceeded the Maximum Balance Provided by the County's Personnel Policy - Sheriff	218
<u>OFFICE OF HIGHWAY COMMISSIONER</u>		
2018-003	The Office had Deficiencies in Budget Operations	211
<u>OFFICE OF DIRECTOR OF SCHOOLS</u>		
2018-004	The Director of Schools had not Formally Documented Internal Controls	212
2018-005	The Office had Deficiencies in Budget Operations	212
2018-006	The School Federal Projects Fund had a Cash Overdraft of \$162,117 at June 30, 2018	213
2018-007	The Purchasing Software Used by the Central Office did not have Adequate Application Controls	214
2018-008	Documents Could be Generated from the Software Test Environment Without Being Marked as Invalid	215
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LARRY SMITH
MAYOR
McNAIRY COUNTY, TENNESSEE

Corrective Action Plan

FINDING: THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

Response and Corrective Action Plan Prepared by:
Larry Smith, County Mayor

Person Responsible for Implementing the Corrective Action:
Larry Smith, County Mayor

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
Amendments were prepared and submitted, but not approved by the County Commission at last Commission Meeting on June 25, 2018. Resubmitted July 16, 2018 and were approved, but past fiscal year cut off.

Planned Corrective Action:
Amendments will be prepared and submitted quarterly for approval by the County Commission.

FINDING: ACCRUED VACATION LEAVE BALANCES EXCEEDED THE MAXIMUM BALANCE PROVIDED BY THE COUNTY'S PERSONNEL POLICY

Response and Corrective Action Plan Prepared by:
Larry Smith, County Mayor

Person Responsible for Implementing the Corrective Action:
Larry Smith, County Mayor and Guy Buck, County Sheriff



LARRY SMITH
MAYOR
McNAIRY COUNTY, TENNESSEE

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
The Sheriff's Department uses the County's Employment Policy concerning vacation leave since October of 2010. The County Employees have different anniversary dates concerning vacation accrual, causing the roll over days to be more than five.

Planned Corrective Action:
The Sheriff's Department plans to implement their own Policy concerning vacation leave pending County Commission approval. The County is working on a solution for employees to take vacation time before anniversary date.

Signature:



McNairy County Highway Department

4684 Highway 64 East
Selmer, TN 38375

Office:(731) 645-3651
Fax:(731) 645-3962

Harvey Neal Smith, Road Superintendent

Corrective Action Plan

FINDING: THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

Response and Corrective Action Plan Prepared by:
Harvey Neal Smith, Highway Commissioner

Person Responsible for Implementing the Corrective Action:
Harvey Smith

Anticipated Completion Date of Corrective Action:
Date 6/30/2019

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
Amendments will be prepared and submitted quarterly for approval by the County Commission.

Signature:



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GREG MARTIN
Director of Schools

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Lynn Baker/Michie • Justin Hawkins/Selmer • David Leckner /Adamsville
Brian Rowsey/Bethel Springs • Molly Moore/Selmer*

Corrective Action Plan

FINDING: THE DIRECTOR OF SCHOOLS HAD NOT FORMALLY DOCUMENTED INTERNAL CONTROLS

Response and Corrective Action Plan Prepared by:
Greg Martin, Director of Schools

Person Responsible for Implementing the Corrective Action:
Greg Martin, Director of Schools

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
Due to changes in administration in the current fiscal year, the previous year's audit Corrective Action Plan was not able to be implemented.

Planned Corrective Action:
The Director of Schools will formally document and maintain internal controls for office operations as required by Section 9-18-102(a), TCA.

FINDING: THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

Response and Corrective Action Plan Prepared by:
Greg Martin, Director of Schools

Person Responsible for Implementing the Corrective Action:
Greg Martin, Director of Schools

Anticipated Completion Date of Corrective Action:
June 30, 2019



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GREG MARTIN
Director of Schools

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Lynn Baker/Michie • Justin Hawkins/Selmer • David Leckner /Adamsville
Brian Rowsey/Bethel Springs • Molly Moore/Selmer*

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
The 2019 Fiscal Year budget amendments will be submitted in a timely manner so that expenditures will be held within appropriations approved by the County Commission.

FINDING: THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$162,117 AT JUNE 30, 2018

Response and Corrective Action Plan Prepared by:
Greg Martin, Director of Schools

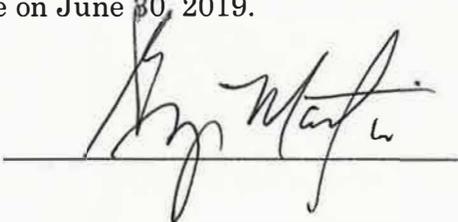
Person Responsible for Implementing the Corrective Action:
Greg Martin, Director of Schools

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
The year-end requests for funds from The School Federal Projects will be submitted as early as possible so that warrants will not be issued that exceed cash on deposit with the county trustee on June 30, 2019.

Signature: 



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GREG MARTIN
Director of Schools

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Lynn Baker/Michie • Justin Hawkins/Selmer • David Leckner /Adamsville
Brian Rowsey/Bethel Springs • Molly Moore/Selmer*

November 5, 2018

CORRECTIVE ACTION PLAN

FINDING: THE PURCHASING SOFTWARE USED BY THE CENTRAL OFFICE DID NOT HAVE ADEQUATE APPLICATION CONTROLS.

Response and Corrective Action Plan Prepared By:

Greg Martin, Director of Schools

Person Responsible for Implementing the Corrective Action:

Mandy Blakely, Head Bookkeeper

Anticipated Completion Date of Corrective Action:

February, 2019

Repeat Finding:

Yes

Planned Corrective Action:

The McNairy County Board of Education Central Office will be changing accounting software from our current provider to another provider, thus eliminating these findings in the future. The switch is scheduled to begin in February of 2019.

Sincerely,

Greg Martin, Director
McNairy County Schools



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GREG MARTIN
Director of Schools

*Jarrell Stanfield, Chairman/Ramer • Ricky Whitaker, V-Chairman/Selmer
Lynn Baker/Michie • Justin Hawkins/Selmer • David Leckner /Adamsville
Brian Rowsey/Bethel Springs • Molly Moore/Selmer*

November 5, 2018

CORRECTIVE ACTION PLAN

FINDING: DOCUMENTS COULD BE GENERATED FROM THE SOFTWARE TEST ENVIRONMENT WITHOUT BEING MARKED AS INVALID

Response and Corrective Action Plan Prepared By:

Greg Martin, Director of Schools

Person Responsible for Implementing the Corrective Action:

Mandy Blakely, Head Bookkeeper

Anticipated Completion Date of Corrective Action:

February, 2019

Repeat Finding:

Yes

Planned Corrective Action:

The McNairy County Board of Education Central Office will be changing accounting software from our current provider to another provider, thus eliminating these findings in the future. The switch is scheduled to begin in February of 2019.

Sincerely,

Greg Martin, Director
McNairy County Schools



Corrective Action Plan

FINDING: THE OFFICE HAD SIGNIFICANT ACCOUNTING DEFICIENCIES

Response and corrective Action Plan Prepared by:
Guy Buck, Sheriff

Person Responsible for Implementing the Corrective Action:
Guy Buck, Sheriff

Anticipated Completion Date of Corrective Action:
Immediately

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
We are operating under an internal controls policy but there are challenges faced daily with vendors that have to provide information and staffing constraints that prohibit the hiring of additional personnel.

Planned Corrective Action:
Continue to train current personnel. Work with vendors to provide needed information in a timelier manner. Try to increase staffing to address the ability to meet general accounting principles. We have added the Administrative Deputy Supervisor to Bank accounts and to assist with compliance in the absence of the Sheriff or Bookkeeper.

FINDING: SOME FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION

Response and Corrective Action Plan Prepared by:
Guy Buck, Sheriff

Person Responsible for Implementing the Corrective Action:
Guy Buck, Sheriff

Anticipated Completion Date of Corrective Action:

Immediately

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

We only have one Bookkeeper and with the attempt to segregate duties there will be times when the Bookkeeper and Sheriff may not be at work during the same hours.

Planned Corrective Action:

Additional training has been conducted for accounting personnel. Additional dates have been added to the deposit schedule to include deposits on every Tuesday and Thursday. We have added the Administrative Deputy Supervisor to bank accounts and to assist with compliance in the absence of the Sheriff or Bookkeeper. The changes are effective immediately. I believe that this finding will not continue but is a result of the first part of this fiscal year.

FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:

Guy Buck, Sheriff

Person Responsible for Implementing the Corrective Action:

Guy Buck, Sheriff

Anticipated Completion Date of Corrective Action:

Immediately

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

A system was established last year to prevent this finding, all funds, checks and cash were counted and logged by the sheriff and bookkeeper, the ledger was maintained by bookkeeper and deposits were made by the sheriff. We believe and maintain this is an adequate segregation of duties.

Planned Corrective Action:

A system was established last year to prevent this finding, all funds, checks and cash were counted and logged by the sheriff and bookkeeper, the ledger was maintained by bookkeeper and deposits were made by the sheriff. We believe and maintain this an adequate segregation of duties but we are adding the Administrative Deputy Supervisor to bank accounts

and to assist with compliance in the absence of the Sheriff or Bookkeeper. While impossible to prove on this budget year we will add a signature block to indicate that multiple persons perform the reconciliation.

**FINDING: ACCURED VACATION LEAVE BALANCES EXCEED
THE MAXIMUM BALANCE PROVIDED BY THE COUNTY PERSONNEL POLICY**

Response and Corrective Action Plan Prepared by:
Guy Buck, Sheriff

Anticipated Completion Date of Corrective Action:
During this fiscal year.

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
As balances are addressed on employees, they continue to increase on others. With the ability to pay overtime or to increase number of staff we will continue to struggle with this finding.

Planned Corrective Action:
We plan to submit a new personnel policy this year to the county commission that will allow employees to carry over a predetermined number of hours from previous years.

Signature: 

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of McNairy County.

MCNAIRY COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

McNairy County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the county commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.